SOUTH ASIA REGIONAL INITIATIVE FOR ENERGY COOPERATION AND DEVELOPMENT
IMPLEMENTATION OF SUSTAINABLE GUARANTEE FACILITY
REPORT ON THE TECHNICAL ASSISTANCE PROVIDED TO KEY STAKEHOLDERS

May 2006
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DISCLAIMER
The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.
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- Mr. Ranjith Pathmasiri – Director, Energy Conservation Fund
- Mr. H.A. Ariyaratne – Executive Vice President, DFCC Bank
- Mr. Viboda Chandrasekera – Assistant relationship Manager, DFCC Bank
- Ms. Chathura Kulasinghe – Manager SME, NDB Bank
- Mr. Aravinda Perera – Deputy General Manager, Sampath Bank
- Mr. Upul Karunaratne – Assistant General Manager, Sampath Bank
- Ms. Nimali Abeyratne – Manager Development Banking, Sampath Bank
- Mr. Deshapriya Peiris – Staff Assistant, Sampath Bank
- Mr. I.H.A. Wickramasinghe – Chief Manager, Hatton National Bank
- Mr. Shanake Fonseka – Manager, Hatton National Bank
- Mr. Gamini Jayadewa – Senior Manager, Commercial Bank
- Dr. V. Loganathan – Senior Manager, Bank of Ceylon
- Mr. K K D Karunaratne – Assistant General Manager, Bank of Ceylon
- Mr. Sirilal Amarasinghe – Chief Manager, Seylan Bank
- Mr. Suranjith Chandrasekera – Manager, Seylan Bank
- Mr. Gamini Senanayake – Director, Industrial Services Bureau
- Mr. Anil Kumara – Consultant, Industrial Services Bureau
- Mr. Nisal Perera – Electrical Engineer, LTL Energy (Pvt) Ltd
- Mr. Sameera Ganegoda – Electrical Engineer, LTL Energy (Pvt) Ltd
- Mr. Roshal Perera – General Manager, Access Energy Solutions (Pvt) Ltd
- Mr. Vipul Perera – Engineering Manager, Access Energy Solutions (Pvt) Ltd
- Mr. Charith Molligoda – General Manager, Metropolitan Communication Ltd
- Mr. Indika Wijesena – Application Engineer, Metropolitan Communication Ltd
- Mr. M.A. Justin – Director, Professional Met Consultancy Services
- Mr. Lahiru Boralugoda – Project Engineer, Professional Met Consultancy Services
### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/C</td>
<td>Air conditioning</td>
</tr>
<tr>
<td>BOC</td>
<td>Bank of Ceylon</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CRIB</td>
<td>Credit Information Bureau</td>
</tr>
<tr>
<td>DFCC</td>
<td>Development Finance Corporation of Ceylon</td>
</tr>
<tr>
<td>ECF</td>
<td>Energy Conservation Fund</td>
</tr>
<tr>
<td>EE</td>
<td>Energy Efficiency</td>
</tr>
<tr>
<td>EFriends 2</td>
<td>JBIC Loan Facility</td>
</tr>
<tr>
<td>ESCO</td>
<td>Energy Service Company</td>
</tr>
<tr>
<td>GOSL</td>
<td>Government of Sri Lanka</td>
</tr>
<tr>
<td>HNB</td>
<td>Hatton National Bank</td>
</tr>
<tr>
<td>IRR</td>
<td>Internal Rate of Return</td>
</tr>
<tr>
<td>ISB</td>
<td>Industrial Services Bureau</td>
</tr>
<tr>
<td>LTL</td>
<td>Lanka Transformers Limited</td>
</tr>
<tr>
<td>M&amp;V</td>
<td>Monitoring &amp; Verification</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NPL</td>
<td>Non Performing Loans</td>
</tr>
<tr>
<td>NPV</td>
<td>Net Present Value</td>
</tr>
<tr>
<td>PF</td>
<td>Power factor Correction</td>
</tr>
<tr>
<td>PFI</td>
<td>Participating Financial Institutions</td>
</tr>
<tr>
<td>RERED</td>
<td>Renewable Energy for Rural Economic Development</td>
</tr>
<tr>
<td>Rs</td>
<td>Sri Lankan Rupees</td>
</tr>
<tr>
<td>SARI/Energy</td>
<td>South Asia Regional Initiative for Energy</td>
</tr>
<tr>
<td>SGF</td>
<td>Sustainable Guarantee Facility</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
</tbody>
</table>
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>v</td>
</tr>
<tr>
<td>Section 1 Introduction</td>
<td>1-1</td>
</tr>
<tr>
<td>Section 2 Planned Technical Assistance Activities</td>
<td>2-1</td>
</tr>
<tr>
<td>2.1 Task 1: Support to ECF/SGF in identifying PFIs</td>
<td>2-1</td>
</tr>
<tr>
<td>2.2 Task 2: Finalize operating guidelines for stakeholders</td>
<td>2-1</td>
</tr>
<tr>
<td>2.3 Task 3: Stakeholders capacity building and training</td>
<td>2-1</td>
</tr>
<tr>
<td>2.4 Task 4: Support for the development of pilot projects</td>
<td>2-1</td>
</tr>
<tr>
<td>2.5 Task 5: Awareness promotion</td>
<td>2-2</td>
</tr>
<tr>
<td>Section 3 Key activities under defined tasks</td>
<td>3-1</td>
</tr>
<tr>
<td>3.1 Memorandum of Understanding</td>
<td>3-1</td>
</tr>
<tr>
<td>3.2 Operating Guidelines</td>
<td>3-1</td>
</tr>
<tr>
<td>3.3 Training and Capacity Building of Stakeholder</td>
<td>3-2</td>
</tr>
<tr>
<td>3.4 Development of Pilot Projects</td>
<td>3-3</td>
</tr>
<tr>
<td>3.5 Awareness and Promotion of SGF</td>
<td>3-5</td>
</tr>
<tr>
<td>3.5.1 Stakeholder awareness seminar</td>
<td>3-5</td>
</tr>
<tr>
<td>3.5.2 Guarantee awards for pilot projects</td>
<td>3-5</td>
</tr>
<tr>
<td>Section 4 Recommendations</td>
<td>4-1</td>
</tr>
<tr>
<td>4.1 Established norms for evaluation of proposal for loan guarantees</td>
<td>4-1</td>
</tr>
<tr>
<td>4.2 Progress Review</td>
<td>4-1</td>
</tr>
<tr>
<td>4.2.1 Stage 1: Regular meetings of stakeholders</td>
<td>4-1</td>
</tr>
<tr>
<td>4.2.2 Stage 2: Formal review of the process</td>
<td>4-2</td>
</tr>
<tr>
<td>4.2.3 Stage 3: Review of progress of project implemented</td>
<td>4-2</td>
</tr>
<tr>
<td>4.3 Awareness and Publicity of SGF</td>
<td>4-3</td>
</tr>
<tr>
<td>4.4 Strengthening of Facility Management Unit</td>
<td>4-3</td>
</tr>
<tr>
<td>4.5 Strengthening of Certification of ESCOs</td>
<td>4-3</td>
</tr>
<tr>
<td>4.6 Other Users of the Facility</td>
<td>4-3</td>
</tr>
<tr>
<td>4.7 Replication and Regional Perspective of SGF</td>
<td>4-4</td>
</tr>
<tr>
<td>Exhibit A: Planned activity schedule</td>
<td>EA-1</td>
</tr>
<tr>
<td>Exhibit B: Memorandum of Understanding</td>
<td>EB-1</td>
</tr>
<tr>
<td>Exhibit C: Operating guidelines</td>
<td>EC-1</td>
</tr>
<tr>
<td>Exhibit D: Training report</td>
<td>ED-1</td>
</tr>
<tr>
<td>Exhibit E: Loan guarantee Award</td>
<td>EE-1</td>
</tr>
<tr>
<td>Exhibit F: Details of pilot projects</td>
<td>EF-1</td>
</tr>
</tbody>
</table>
Contents

Table
Table 3.1 Effective date of MOU ........................................... 3-1
Table 3.2 Details of pilot projects identified ................................ 3-3
Table 3.3 Specific technical assistance provided to pilot projects ..... 3-5
Table 4.1 Established norms for project evaluation ...................... 4-1

Figure
Figure 1.1 SGF operating mechanism ..................................... 1-1

Photograph
Photograph 3.1 Mr. Aravinda Perera, Deputy General Manager, Sampath Bank receiving a guarantee certificate from Hon. John Seneviratne, Minister of Power and Energy ... 3-5
Photograph 3.2 Mr. I H A Wickramasinghe, Chief Manager, Project form Hatton National Bank receiving a guarantee certificate from Hon. John Senevirante, Minister of Power and Energy ........................................... 3-6
Executive Summary

To overcome the barriers for energy efficiency project investments in Sri Lanka, a Sustainable Guarantee Facility (SGF) was developed under the South Asia Regional Initiative for Energy (SARI/Energy) phase 1.

With lack of collateral being the main barrier for energy efficiency investment, the SGF provides a loan repayment guarantee to lenders as a collateral substitute. It also serves to lower the cost of financing for borrowers and encourages the pursuit of energy efficiency projects, thus substantially increasing funding of energy efficiency projects.

Under the SARI/Energy phase II, technical assistance was provided to key stakeholders to implement the SGF concept. The technical assistance included the development and execution of a Memorandum of Understanding between the facility and participating financial institutions, review of operating guidelines, training and capacity building of stakeholders, development five sustainable energy efficiency projects and guarantee awards presentation to pilot projects as a part of the planned awareness and publicity program. Details of pilot projects developed:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>ESCO/End-user (Client)</th>
<th>Project Details</th>
</tr>
</thead>
</table>
| 1     | Access Energy Solutions (Pvt) Ltd/ Sampath Centre | Measures: A/C improvements/loan management  
Investment: Rs. 25,114,005  
Annual saving: Rs. 11,400,354  
(IRR – 16%)  
Financing: RERED + SGF (HNB as PFI)  
Implementing mechanism: Shared savings |
| 2     | LTL Energy (Pvt) Ltd/ Jinadasa Bros. (Garments) Ltd | Measures: lighting improvements/PF correction  
Investment: Rs. 761,282  
Annual saving: Rs. 271,254  
(IRR – 31%)  
Financing: Efriends 2 + SGF (Sampath as PFI)  
Implementing mechanism: Guaranteed savings |
| 3     | ISB Services Ltd/ Samtessi Brush Manufacturers Ltd | Measures: PF correction  
Investment: Rs. 486,386  
Annual saving: Rs. 425,143  
(IRR – 90%)  
Financing: Efriends 2 + SGF (Sampath as PFI)  
Implementing mechanism: Guaranteed saving + Excess sharing |
| 4     | Professional Met Consultancy Services/ Moneragala Paper Mills Ltd | Measures: Boiler fuel switching  
Investment: Rs. 2,194,500  
Annual saving: Rs. 11,103,880  
(IRR – 360%)  
Financing: Commercial loan / RERED + SGF (DFCC as PFI)  
Implementing mechanism: Guaranteed saving |
| 5     | Metropolitan Communications (Pvt) Ltd/ Lalan Gloves (Pvt) Ltd | Measures: PF correction  
Investment: Rs. 987,000  
Annual saving: 905,143  
(IRR – 94%)  
Financing: Efriends 2 + SGF (Commercial bank as PFI)  
Implementing mechanism: Guaranteed saving |
Recommendations

During this technical assistance initiative, the technical assistance team identified certain areas for possible improvement in order to ensure sustainability, improve effectiveness and operational efficiency of the facility. The team lists following recommendations for the consideration of the facility management unit.

1) Norms established by the TA team for the evaluation of project proposals for loan guarantees should also be used by the Facility management in reviewing future proposals.

2) A review of the program is recommended six months after the initial guarantee awards or when the guarantee amount reaches 80% of the fund, as planned under SARI/Energy technical assistance.

3) In consultation with all stakeholders, the ECF should design and implement a well coordinated publicity program to increase awareness of the end-users on the benefits of the SGF. This is essential to attract large energy efficiency projects for the facility.

4) Facility management unit needs strengthening for it to function effectively. ECF should consider filling-up of key posts of the recommended structure (specified in the May 2004 concept proposal).

5) Strengthening and Certification of ESCOs should be a priority for the facility. It must implement capacity building and training tasks for ESCOs and developers on a regular basis. ECF should also develop an ESCO certification process, based on ESCOs’ experience on performance based energy efficiency project implementation.

6) SGF can be used to facilitate funding for many other activities such as renewable energy development. It is recommended that this be considered during the formal review process and amend guidelines if necessary, to accommodate new areas.

7) Regional perspective of the SGF is important for the SARI/Energy project and it should consider opportunities for replication of the SGF concept in other SARI/Energy countries and extension of the facility to other areas of the energy sector.
The importance of energy conservation/efficiency for mitigating the impact of increasing energy costs in Sri Lanka has been long recognized. Studies have shown that the net potential benefit from industrial energy efficiency improvements correspond to an annual generation saving of Rs. 4.2 billion. However, there are barriers that have hindered the widespread commercialization and large-scale implementation of end-use energy-efficiency improvements.

To overcome these barriers for energy efficiency project investments and to reduce the cost of borrowing in Sri Lanka, a Sustainable Guarantee Facility (SGF) was developed under the South Asia Regional Initiative for Energy (SARI/Energy) phase 1. As the lack of collateral has been the main barrier for energy efficiency project lending, the SGF will provide a loan repayment guarantee to lenders as a collateral substitute. This guarantee will serve to lower the cost of financing for borrowers and encourage the pursuit of energy efficiency projects, thus substantially increasing funding of energy efficiency projects.

Under the SARI/Energy phase II, technical assistance was provided to key stakeholders to implement the SGF concept. The technical assistance included training and awareness promotion for key stakeholders and development three to five sustainable energy efficiency projects, selected by the Energy Conservation Fund (ECF); the facility management. The SARI/Energy II technical assistance worked in close coordination with the USAID and key stakeholders, including the:

- The ECF as the SGF facility manager
- Financial institutions selected by the ECF as participating financial institutions (PFIs)
- ECF-registered energy service providers (ESCOs) as project developers
- Potential Borrowers for capital investments in Energy Efficiency

[Diagram of SGF operating mechanism]

Figure 1.1: SGF operating mechanism
Section 2 Planned Technical Assistance Tasks

The key planned SARI/Energy technical assistance tasks were:

- Training of personnel of the ECF/SGF, the PFIs and ESCOs, through delivery of a training program
- Development of five replicable and sustainable pilot projects
- Increased awareness among all key stakeholders of the SGF,

To accomplish above, Nexant SARI/Energy technical assistance team developed a program of interconnected activities.

2.1 Task 1: Support to ECF/SGF in identifying PFIs

Nexant SARI/Energy TA team using the approaches it has employed in similar initiatives in other countries - explaining the advantages of increased lending business and decreased risk, which could be derived from participating in the SGF initiative, assisted the ECF in identifying Financial Institutions to participate in the program.

The relationship between the ECF and the PFIs is of crucial importance. The principles governing such relation must be as clear and roles and responsibilities cleared defined to ensure there is complete understanding of how interactions and transactions will be conducted.

To facilitate this, SARI/Energy TA team developed a Memorandum of Understanding (MOU) to document roles and responsibilities of each party.

2.2 Task 2: Finalize operating guidelines for stakeholders

The SGF Operating Guidelines of May 2004, developed under SARI/Energy I was subjected to a stakeholder review process. The technical assistance team then reviewed stakeholder comments on the operating guidelines of May 2004 and as appropriate, the comments were incorporated in the final guidelines.

2.3 Task 3: Stakeholders capacity building and training

The stakeholder capacity building and training on the objectives and implementing mechanisms of the SGF were important tasks. A three day training session was conducted for ESCOs, staff of the ECF and the PFIs. Course content of this three day residential program, finalized in consultation with the ECF and the PFIs, discussed in details all SGF operating issues.

2.4 Task 4: Support for the development of pilot projects

In the selection of pilot projects for the SGF, the SARI/Energy team conducted technical and economic review of proposals submitted by the ECF and provided support for the development of five pilot projects as possible candidates to receive for initial guarantees from the SGF.
This support focused on following areas:

- Preparation of project proposals
  - Technology and conceptual design (energy efficiency, replicability) design
  - Cost estimated and energy efficiency calculations
  - Financial analysis and cash flow
  - Implementation and payment schedule
  - Monitoring and verification of savings
  - Performance contract between investor and implementing ESCO
- Review/evaluation of project proposals
  - By PFIs (leading to a contract between investor and PFI)
  - By ECF/SGF
- Award of guarantees

### 2.5 Task 5: Awareness promotion

The first objective of this initiative was to support a limited number (5) of sustainable and replicable energy efficiency projects, and to use the experience and lessons learned from this for awareness building at national level.

The two Awareness Building Events targeting key stakeholders were planned. They were:
1) Guarantee certificate awards for pilot projects
2) General awareness seminar for investors

### 2.6 Task 6: Conduct program review

After a period of six months or when the guarantee reaches 80% of SGF investment, at the request of ECF, SARI/Energy TA team is expected to conduct a review of the SGF operational performance in general, in order to recommend improvements to strengthen and sustain the SGF.

**Appendix A: Planned activity schedule**
Section 3  Key Activities under Planned Tasks

The technical assistance team completed the following key activities to support the main tasks listed above and to meet the objectives of the technical assistance initiative.

- Development of an ECF/PFI Memorandum of Understanding
- Definition of Operating Rules and guidelines
- Obtaining approval of PFI’s to accept SGF as a collateral substitute
- Stakeholder training and capacity building to implement the SGF
- Support the development of Pilot Projects
- Awareness and Promotion of SGF concept

3.1 Memorandum of understanding (MOU)

An agreement in the form of a Memorandum of Understanding (MOU) was developed to clearly specify roles and responsibilities of the participating institutions such as the ECF and the PFIs in the implementation of the SGF, based on the SGF operating guidelines.

The items listed in the MOU are:

- Loan guarantee process under the SGF
- Obligations of the Participating Financial Institutions
- Default of a guaranteed loan
- Loan Guarantee termination
- Termination of MOU
- Arbitration and dispute resolution between the ECF and the PFI
- Amendments to MOU
- Execution
- Attachment – operating guidelines

The MOU was subjected to an extensive review process, facilitated by the TA team with the main reviewers being the Attorney General on behalf of the ECF and respective legal units and boards of the PFIs.

At the completion of the MOU review process, MOU was signed between the ECF and the PFIs.

Table 3.1: Effective dates of MOU

<table>
<thead>
<tr>
<th>S.No</th>
<th>Participating Financial Institution</th>
<th>Date of Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hatton National Bank</td>
<td>21/04/2006</td>
</tr>
<tr>
<td>2</td>
<td>DFCC Bank</td>
<td>02/05/2006</td>
</tr>
<tr>
<td>3</td>
<td>Sampath Bank</td>
<td>28/04/2006</td>
</tr>
<tr>
<td>4</td>
<td>Seylan Bank</td>
<td>02/05/2006</td>
</tr>
<tr>
<td>5</td>
<td>Commercial Bank</td>
<td>31/05/2006</td>
</tr>
<tr>
<td>6</td>
<td>NDB Bank</td>
<td>25/05/2006</td>
</tr>
<tr>
<td>7</td>
<td>Bank of Ceylon</td>
<td>02/06/2006</td>
</tr>
</tbody>
</table>

Appendix B: Memorandum of Understanding (MOU)
3.2 Operating guidelines

The operating guidelines developed in May 2004 were subjected to a detailed review by the TA team. Amendments were then subjected to a review by participating and non-participating stakeholders. Following participated in this review process:

1) Participating Financial institutions
2) Institutions under the Government of Sri Lanka:
   i. Ministry of Power and Energy
   ii. Energy Conservation Fund
   iii. The Treasury
   iv. The Central Bank of Sri Lanka
3) Developers/ESCOs

The operating guidelines of the SGF specify:

1) Project eligibility criteria
2) Terms and conditions of loan guarantee
3) Loan guarantee application process
4) Declarations to be made by PFI
5) Issuance of loan guarantee
6) Loan default and recovery
7) Loan termination provisions and
8) Supplementary provisions for the SGF

It also includes formats for application for loan guarantee, developer project proposal, guarantee certificate, claim from loan guarantee and the premium payment form, as a part of the standardization of documentation for the efficient operation of the facility.

Appendix C: SGF operating guidelines

Further improvements to the SGF operating guidelines were identified by the TA team during the pilot project development stage and listed under recommendations for consideration during the program review process.

3.3 Stakeholder capacity building & training

TA team first conducted a need assessment of stakeholders to implement the SGF efficiently by conducting one to one discussions with all relevant stakeholders. Based on the information gathered, a three day residential training program was designed to cover the most aspects related to Energy Efficiency program development, not limiting to the SGF mechanisms.

The course content included:

1) An introduction to energy management and SGF
2) Potential for EE improvements in Sri Lanka
3) EE project development cycle
4) Introduction to an Investment-Grade Audit  
5) Financial analysis associated with an IGS  
6) Documentation for the SGF  
7) Risk Assessment of EE Projects and  
8) Role of the facility management unit.

The course was conducted on December 1, 2 and 3, 2005 with over thirty stakeholders from PFI's and developers participating in the program.

Appendix D: Report on the training program

3.4 Development of pilot projects

TA team conducted a technical and economic review of proposals submitted by the facility and identified five projects to develop under the pilot project development task for initial guarantee awards, as a part of the technical assistance provided under the SARI/Energy project.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Developer/ESCO</th>
<th>Client</th>
<th>Type of Installation</th>
<th>Status as at the selection stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Access Energy Solutions (Pvt) Ltd</td>
<td>Sampath Centre</td>
<td>Commercial Building</td>
<td>Detailed audit completed and measures identified: A/C improvement and load management</td>
</tr>
<tr>
<td>2</td>
<td>LTL Energy (Pvt) Ltd</td>
<td>Jinadasa Bros. (Garments) Ltd</td>
<td>Apparel Industry</td>
<td>Detailed audit completed and measure identified: PF correction, pump improvements and lighting improvements</td>
</tr>
<tr>
<td>3</td>
<td>ISB Services Ltd</td>
<td>Samtessi Brush Manufacturers Ltd</td>
<td>Brush Manufacturing Industry</td>
<td>Walk-through audit completed</td>
</tr>
<tr>
<td>4</td>
<td>Professional Met Consultancy Services</td>
<td>Monaragala Paper Mills Ltd</td>
<td>Paper Mill</td>
<td>Walk-through audit completed and measure identified is fuel switching of boiler</td>
</tr>
<tr>
<td>5</td>
<td>Metropolitan Communication (Pvt) Ltd</td>
<td>Lalan Gloves (Pvt) Ltd</td>
<td>Rubber Industry</td>
<td>Walk-through audit completed and measure identified is PF correction</td>
</tr>
</tbody>
</table>

Technical assistance to these projects included review of audit proposals, development of saving verification methodologies and performance contracts, financial analysis of proposals and preparation of documents for loans and loan guarantees.
As a part of the project development assistance, consultants visited sites with the developers/ESCOs and at times participated in detailed audits to refine proposals to make them bankable.

**Table 3.3: Specific assistance provided to pilot projects**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Project details</th>
<th>Specific Technical Assistance Provided</th>
</tr>
</thead>
</table>
| **1** | ESCO: Access Energy Solutions (Pvt) Ltd  
Client: Sampath Centre  
Measures:  
A/C improvements & load management  
Investment: Rs. 25,114,005  
Annual saving: Rs. 11,400,354  
Payback: 2.2 years  
IRR: **16%**  
NPV: Rs. 823,980  
Contract type: Shared savings  
80/20 – 47 months, 20/80 from 48 – 60 months and 0/100 after 60 months  
Financing: RERED + SGF | 1) Review of the energy audit proposal  
2) Further studies at site to update the energy audit proposal  
3) Selection of project financing structure for ESCO  
4) Detailed financial analysis  
5) Amendments to the Saving monitoring and verification procedure  
6) Amendments to the proposed performance contract  
7) Preparation of documents for SGF and RERED loan facility  
8) Assistance to PFI and ECF to review and approve proposal |
| **2** | ESCO: LTL Energy (Pvt) Ltd  
Client: Jinandasa Bros. (Garments) Ltd  
Measures:  
Lighting improvements and PF correction  
Investment: Rs. 761,282  
Annual saving: Rs. 271,254  
Payback: 2.81 Years  
IRR: **31%**  
NPV: Rs. 379,730  
Contract type: Guarantee savings  
Financing: EFriends 2 + SGF | 1) Review of the energy audit proposal  
2) Selection of a project financing mechanism  
3) Detailed financial analysis  
4) Amendments to the saving monitoring and verification procedure  
5) Amendments to the performance contract  
6) Preparation of documents for the SGF.  
7) Assistance to PFI and ECF to review and approve proposal |
| **3** | ESCO: ISB Services Ltd  
Client: Samtessi Brush Manufacturers Ltd  
Measures: PF correction  
Investment: Rs. 486,386  
Annual Saving: Rs. 425,143  
Payback: 1.14 Years  
IRR: **90%**  
NPV: Rs. 1,301,930  
Contract type: Guaranteed saving with excess sharing  
Financing: EFriends 2 + SGF | 1) Assisted in detailed energy audit  
2) Assisted in the selection of a project financing option  
3) Conducted a detailed financial analysis  
4) Developed the saving monitoring and verification procedure  
5) Developed a performance contract  
6) Prepared documents for the SGF  
7) Assisted the PFI and ECF in the proposal review and approval process |
| **4** | ESCO: Professional Met Consultancy Services  
Client: Moneragala Paper Mills  
Measures: Boiler fuel switching  
Investment: Rs. 2,194,500  
Annual saving: Rs. 11,103,880  
Payback: 3 months  
IRR: **360%**  
NPV: Rs. 26,335,840  
Contract type: Guaranteed saving  
Financing: RERED/Commercial loan + SGF | 1) Review of the detailed energy audit  
2) Assisted in the selection of a project financing option  
3) Conducted a detailed financial analysis  
4) Developed the saving monitoring and verification procedure  
5) Developed a performance contract  
6) Prepared documents for the SGF  
7) Assisted the PFI and ECF in the proposal review and approval process |
Appendix E: Detailed reports of pilot projects

3.5: Awareness and publicity for the SGF

According to the proposed technical assistance under the SARI/Energy program, two key tasks for increase awareness and publicity for the SGF were planned.

3.5.1 Stakeholder awareness seminar

Awareness seminar planned for January/February 2006; immediately after the stakeholder capacity building component was postponed till the completion of pilot projects at the request of USAID and the ECF. Three awareness seminars are now planned.

3.5.2 Guarantee awards for pilot projects

Guarantee certificates for pilot projects were awarded as planned, at the end of the pilot project development stage. This was identified as the main event of the initiative. Awards were presented to two PFIs and for three projects out of five developed by the TA team. In addition to the guarantee awards presented to the PFIs, certificates were also presented to the developers and end-users to acknowledge their participation in the pilot project development process for the SGF.
Photograph 3.2: Mr. I H A Wickramasinghe, Chief Manager, Project form Hatton National Bank receiving a guarantee certificate from Hon. John Senevirante, Minister of Power and Energy
Section 4

Recommendations

4.1 Established norms for evaluation of proposal for loan guarantees

The technical assistance team established norms for reviewing project proposals for granting loan guarantees, which can be used by the facility staff to review future proposals. Details are listed below. However, the facility staff will have the freedom to deviate from these norms if they can justify the deviation.

Table 4.1: Established norms for project evaluation

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Item</th>
<th>Established norm</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ESCO proposal &amp; costs: Project management fee</td>
<td>Limited to 15% of the total cost</td>
</tr>
<tr>
<td>2</td>
<td>ESCO proposal &amp; Payments: Advance payment to ESCO</td>
<td>Limited to 50% of the total cost</td>
</tr>
<tr>
<td>3</td>
<td>ESCO proposal: Cost of equipment</td>
<td>Three quotations for equipment considered for a project should be included in the proposal and if not, reasons should be justified</td>
</tr>
<tr>
<td>4</td>
<td>ESCO proposal: Equipment suppliers</td>
<td>All main equipment suppliers should be listed in the proposal for the review by the facility staff.</td>
</tr>
<tr>
<td>5</td>
<td>Financial Analysis of proposal: Energy cost escalation Contingencies</td>
<td>Limited to 5% per annum Limited to 5% of the total cost</td>
</tr>
<tr>
<td>6</td>
<td>Project Financing: EFriend 2 loan with SGF</td>
<td>Interest rate considered as 7% with reduced collateral to accommodate SGF premium</td>
</tr>
</tbody>
</table>

4.2 Program review

TA team strongly recommends a review of the program six months after the initial guarantee awards or when the guarantee amount reaches 80% of the fund, as planned under the SARI/Energy technical assistance program and also training of the facility staff during this review process to regularly review the progress.

Program review can be divided into three categories:

4.2.1 Stage 1: Regular meetings of stakeholders

TA team recommends the ECF to convene regular meetings of all stakeholders to review progress of facility operations until a formal review is conducted after a specified period of time. The stakeholders could consider changes to guidelines if necessary, performance of ESCOs, capacity building and training requirements, publicity and awareness programs, monitoring of progress of projects that have received guarantees, identify other stakeholders to promote and sustain the concept, etc.
4.2.2 Stage 2: Formal review of the process

Formal program review should be carried out at the end of the specified period and should include:

1) **General review of the program** –
   It should include a review of how successful the program has been by identifying the number of projects submitted for guarantees, guarantees approval rating, loan default rate, impact of the program in terms of savings at national level, etc.

   In addition to above it should also review the performance of stakeholders-ECF, PFIs and ESCOs and capacity building and training requirements to sustain the SGF operations.

2) **Review of operating guidelines** –
   Implementation of operating guidelines should be reviewed.

3) **Review of specific guidelines, identified by the TA team** -
   a) **Eligible projects & end-use technologies:**
      Review the ECF listed end-use technologies in consultation with all stakeholders to add or delete as required and then publish revised lists as soon as a review is completed.

   b) **Extent of guarantee:**
      Review of the extent of guarantee can be two fold – guarantee percentage and maximum guarantee amount. TA team recommends a reduction of guarantee percentage and increase in the maximum guarantee amount in order to strengthen the process and to fall inline with some of the worldwide practices.

   c) **Repayment period and maximum guarantee period:**
      This clause may need a revision and should be considered during the first formal review of the program. After a certain percentage of the loan is repaid, the guarantee should be an option since PFIs may no longer consider it is essential in view of their reduced risk.

   d) **Guarantee fee:**
      This is closely linked to guarantee extent clause. If the guarantee percentage is reduced as recommended after a review, it is strongly recommended to reduce the guarantee fee too.

   e) **SGF documentation:**
      This should include a review of the SGF documentation in the guideline and if possible, simplification is always recommended in consultation with stakeholders. e.g.: stipulated financial analysis, performance contracts and M&V process.

4.2.3 Stage 3: Review of progress of project implemented

This should be a detailed review of projects that have already received guarantees and should include:
1) Saving monitoring and verification process practiced by the ESCOs in order for the client to service debt
2) Quality of services and equipment provided by the ESCOs
3) Review of regular project progress reporting mechanisms introduced by the Facility as specified in the project proposal.
4) Project progress monitoring mechanisms of PFIs and payment of guarantee fee by the PFIs to SGF.

4.3 Awareness and publicity for the SGF

In consultation with all stakeholders, the ECF should design a program to increase awareness of end-users on the benefits of the SGF. This program should be reviewed at regular meetings of stakeholders with the SGF progress for the Facility to take appropriate steps to strengthen the publicity program, if necessary, to meet the year end targets of the facility.

Present end-user awareness of the facility is inadequate for the program to attract large sustainable energy efficiency project. Therefore, it is advisable for the ECF to consider this as a priority.

4.4 Strengthening of facility management Unit

Facility management unit needs strengthening for the SGF to be effective. Key posts of the recommended structure (specified in the May 2004 concept proposal) should be filled immediately.

4.5 Strengthening and Certification of ESCOs

Although twelve organizations are registered with the Facility as ESCOs, only a few have the capability of providing performance-based energy services to clients. Therefore, an ESCO certification process should be established by the ECF immediately. This could be based on projects completed on performance contracts over a specified period of time and the availability of resources. The ECF should also conduct capacity building and training programs for others to meet these requirements.

Equipment supplier and energy auditors should be encouraged to join certified ESCOs as sub contractors and service providers to ESCOs, during the certification process. This is required to provide reliable service in order to sustain benefits.

4.6 Other uses of the facility

The SGF can be used to facilitate funding many other activities such as renewable energy development. It is recommended that this be considered during the formal review process and amend guidelines if necessary, to accommodate renewable energy development and others.
4.7 Replication and regional perspective of SGF

SARI/Energy should consider opportunities for replication of the SGF concept in other SARI/Energy countries and could also consider an extension of the facility to other areas of the energy sector.
### Exhibit A

#### Planned Activity Schedule

<table>
<thead>
<tr>
<th>ID</th>
<th>Task Name</th>
<th>Duration</th>
<th>Start</th>
<th>Finish</th>
<th>Predecessors</th>
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<tbody>
<tr>
<td>1</td>
<td>Kick off meeting</td>
<td>1 day</td>
<td>Mon 10/24/05</td>
<td>Mon 10/24/05</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>TASK 1 - Review draft ECF/PFI MOU</td>
<td>3 days</td>
<td>Tue 10/25/05</td>
<td>Thu 10/27/05</td>
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<td>5</td>
<td>TASK 2 - Definition of Operating Rules</td>
<td>15 days</td>
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<td>Mon 11/14/05</td>
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</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Receive comments from stakeholders on Operating Guidelines</td>
<td>10 days</td>
<td>Tue 10/25/05</td>
<td>Mon 11/7/05</td>
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<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>TASK 3 - Train Stakeholders</td>
<td>14 days</td>
<td>Tue 11/15/05</td>
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<tr>
<td>10</td>
<td>Preparation of training modules</td>
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<td>11</td>
<td>Training course for Stakeholders</td>
<td>3 days</td>
<td>Wed 11/30/05</td>
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<tr>
<td>13</td>
<td>TASK 4 - Support Development of Pilot Projects</td>
<td>44 days</td>
<td>Mon 12/5/05</td>
<td>Thu 2/2/06</td>
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<tr>
<td>14</td>
<td>Select pilot projects from ECF shortlist</td>
<td>5 days</td>
<td>Mon 12/5/05</td>
<td>Fri 12/9/05</td>
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<tr>
<td>15</td>
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<tr>
<td>16</td>
<td>Review and evaluation of project proposals</td>
<td>7 days</td>
<td>Mon 1/2/06</td>
<td>Tue 1/10/06</td>
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<td></td>
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<td>18</td>
<td>Capacity building of ECF/SGF in the project approval process</td>
<td>5 days</td>
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<td>Tue 1/17/06</td>
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<tr>
<td>20</td>
<td>TASK 5 - Awareness Promotion</td>
<td>2 days</td>
<td>Fri 2/3/06</td>
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<td>21</td>
<td>Awareness seminar for investors/end-users</td>
<td>1 day</td>
<td>Fri 2/3/06</td>
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<tr>
<td>23</td>
<td>Stakeholder seminar: Guarantee awards</td>
<td>1 day</td>
<td>Mon 2/6/06</td>
<td>Mon 2/6/06</td>
<td></td>
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<tr>
<td>24</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>25</td>
<td>SFQ Operation - No SARI Action</td>
<td>105 days</td>
<td>Mon 2/6/06</td>
<td>Fri 6/30/06</td>
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<tr>
<td>26</td>
<td>TASK 6 - Program Review</td>
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<td>Mon 7/3/06</td>
<td>Wed 7/19/06</td>
<td></td>
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<tr>
<td>27</td>
<td>Program review</td>
<td>7 days</td>
<td>Mon 7/3/06</td>
<td>Tue 7/11/06</td>
<td></td>
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<tr>
<td>28</td>
<td>Report on program improvements</td>
<td>5 days</td>
<td>Wed 7/12/06</td>
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<tr>
<td>29</td>
<td>Review Presentation</td>
<td>1 day</td>
<td>Wed 7/19/06</td>
<td>Wed 7/19/06</td>
<td></td>
</tr>
</tbody>
</table>

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**Project: Sustainable Guarantee Facility**  
**Date: Thu 7/18/06**
SUSTAINABLE GUARANTEE FACILITY

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE ENERGY CONSERVATION FUND

AND

…………………………………………BANK.
This Memorandum of Understanding (MOU), made and entered into at Colombo on this day of ………., 2006, between,

i) **Energy Conservation Fund,** (ECF) established under Act No.2 of 1985 of the Parliament of the Democratic Socialist Republic of Sri Lanka, hereinafter called as the ECF, having its registered office at 3G-17, BMICH, Bauddhaloka Mawatha, Colombo 7, Sri Lanka, of the one part, AND

ii) …………..Bank, (the ………….. Bank being a Participating Financial Institution) hereinafter called as …………. Bank, having its registered office at……………., Colombo 3, Sri Lanka, of the other party,

Hereafter collectively referred to as ‘the parties’

WHEREAS

(A) By a decision of the GOVERNMENT OF SRI LANKA dated January 13, 2005 (Cabinet paper 04/1792/026/059), the ECF has been authorized to establish a loan guarantee facility for a sum of Rs. 50 Million, to encourage lending for commercial energy efficiency projects in order to reduce industrial energy consumption by 20% as per the terms and conditions set forth in the attached operating guidelines aforesaid;

(B) The ECF and …………..BANK have agreed to enter into this MOU for the operation of the Sustainable Guarantee Facility (SGF) in accordance with the Sustainable Guarantee Facility – Operating Guidelines (December 2005) prepared by USAID for the ECF, attached hereto

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE 1**

Definitions

Section 1.01 wherever used in this MOU ordinary words and phrases shall have the respective meanings therein set forth and the following additional terms shall have the following meanings:

(a) “LOAN GUARANTEE” means a repayment guarantee to a Participating Financial Institution (PFI) for a loan made to targeted Energy Efficiency Project of a Qualified Enterprise

(b) “QUALIFIED ENTERPRISE” means any enterprise in Sri Lanka which meets sound banking, commercial and financial criteria; as stipulated in the guidelines.

(c) “ENERGY EFFICIENCY PROJECT”: A commercially viable project of a Qualified Enterprise acceptable to the ECF that it will reduce its overall costs in relation to utilization of energy.

(d) “QUALIFIED PROJECT” means a specific project structured in accordance with the provisions of the OPERATING GUILDELINES to be carried out by an QUALIFIED ENTERPRISE utilizing the proceeds of the a General Loan given by a Participating Financial Institution for the implementation of an Energy Efficiency Project;
(c) “GENERAL LOAN” means a loan provided by a Participating Financial Institution for the implementation of an Energy Efficiency Project.

(f) “FACILITY MANAGEMENT UNIT (FMU)” means the SGF management unit established under the Energy Conservation Fund for reviewing SGF applications, granting approval and monitoring of progress.

(g) “ESCO” means an energy service company or provider registered or acceptable to the ECF as a project developer.

(h) “OPERATING GUIDELINES” are a set of criteria formulated in consultations of all stakeholders to SGF for the efficient functioning of the SGF to meet its stated objectives and attached to this document.

**ARTICLE II**

**The LOAN GUARANTEE**

**Section 2.01** The ECF shall guarantee the partial repayment of a loan provided by ……….. BANK (…………..BANK being one of the PFIs) on the terms and conditions set forth or referred to in this MOU and attached Operating Guidelines (annex 1).

(a) The total guarantee from the SGF for a Qualified Project will not exceed 75% of the total loan offered by the ………….. BANK. However, the maximum guarantee per project is limited to Rs. 10 million. There is no minimum guarantee size. The guarantee will be adjusted quarterly to reduce the value of the Guarantee to not more than 75% of the amount outstanding on the loan.

(b) Usually, the loan repayment period will be the project payback period guaranteed by the energy services company (ESCO) plus one year. However, the maximum guarantee will be limited to six (6) years.

(c) The grace period would normally be from the time of release of the advance/ or first installment of the loan up to the time when the project is commissioned.

(d) Interest rates are to be decided by the …………..BANK. However, taking into consideration the repayment guarantee by the ECF, the …………..BANK is expected to reduce interest rates from those applicable to loans without a repayment guarantee. This should result in a considerable reduction in the cost of funds (as a result of lower risks to the Bank) available for energy efficiency projects.

**Section 2.02**

(a) In respect of loan guarantee, the …………..BANK shall before requesting a guarantee, furnish details for the Energy Efficiency Project in a form acceptable to the ECF describing the Energy Efficiency Project regarding compliance with the terms and conditions of the Operating Guidelines.

(b) The ECF will have the sole discretion to either accept or reject granting a guarantee to any project referred to it by the …………..BANK.
ARTICLE III

Obligations of the SEYLAN BANK

Section 3.01

(a) …………BANK shall perform all of its obligations under the MOU, with due diligence and efficiency in conformity with sound banking, administrative, financial, social protection, environmental and business practices and in accordance with the Banking Act, and the Statement of Policies and Operating Procedures of the ………….. BANK.

(b) …………..BANK shall comply with the provisions of the OPERATING GUIDELINES to the extent that it may be applicable to the …………..BANK.

(c) Loans approved by the …………..BANK to QUALIFIED ENTERPRISES or ESCOs for QUALIFIED PROJECTS shall be in accordance with the terms referred to in the operating guidelines, in particular the Loan Guarantee Application Procedure set out in Section 4 and 5 of the said Operating Guidelines.

(d) An annual guarantee premium 0.5% of the amount guaranteed or outstanding in the loan account will be charged from the borrower by the Bank on behalf of the ECF. The value of the guarantee in respect to each loan will be adjusted quarterly by the ECF in consultation with the …………..BANK.

Section 3.02

(a) Disbursement of Loan funds from the …………..BANK shall be made only to the ESCOs as approved by the ECF in the evaluation stage in terms and conditions of the contract entered into with ESCO.

(b) Without limitation of the generality of the foregoing the …………..BANK and the ECF shall take necessary steps to ensure that any goods procured shall be purchased at reasonable and competitive prices due account being taken also of other relevant factors such as time of delivery quality and reliability of the goods and availability of the maintenance facilities and spare parts thereof;

(c) the ECF and the …………..BANK shall have the right to inspect such goods, QUALIFIED ENTERPRISES, QUALIFIED PROJECTS and ESCOs for any relevant records and documents;

(d) The …………..Bank shall ensure that the QUALIFIED ENTERPRISE shall obtain and maintain with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound business practice and without any limitation upon the foregoing such insurance shall cover hazards, incidents to the acquisition transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods;

(e) The ECF and the …………..BANK shall each be entitled to obtain all such information as each shall reasonably request relating to the Loan and the goods and services financed out of the proceeds of the Loan the QUALIFIED PROJECT the QUALIFIED ENTERPRISE and other related matters and the ECF and the
ARTICLE IV
Default of the Loan

Section 4.01 Without prejudice to Section 2 of this Agreement if a Borrower fails to make three consecutive payments on a loan, based on monthly repayments, the BANK shall inform the ECF of this fact.

Section 4.02 On observing, in the opinion of the Bank, the first signs of borrower delinquency, the BANK shall notify the ECF in writing of its observations and any actions it proposes to take.

Section 4.03 Before submitting a claim for payment under the Sustainable Guarantee Facility, the BANK must exhaust the possibility of rescheduling the borrower’s loan to enable the loan to be paid. Any consideration of rescheduling must be forwarded to the ECF supported by a written request from the borrower and accompanied by an explanation and appropriate supporting documentation that indicates how the additional time will enable the borrower to repay the loan. The ECF will convey to the Bank its decision on the coverage of the guarantee to any additional period for the rescheduled loan, within two weeks from the date of receipt of the communication by the Bank for rescheduling the loan.

Section 4.04 It is the duty of the BANK to take prompt and effective action to enforce normal recovery procedure under the laws of Sri Lanka, prior to submission of a claim on the Loan Guarantee to recover any overdue amount if the loan rescheduling process fails.

Section 4.05 Even after the settlement of a claim under the Loan Guarantee, the BANK shall keep the ECF informed of the action taken by the BANK to recover the outstanding amount and of any the developments related to such recovery from time to time.

Section 4.06 All amounts recovered after payment of a claim on the Loan Guarantee should be shared between the ECF and the BANK in proportion to an amount equivalent to the percentage of the outstanding amount paid by the ECF in terms of the Loan Guarantee.

ARTICLE V
Loan Guarantee Termination

Section 5.01 The ECF at its sole discretion may terminate a loan guarantee agreement as per Operating Guidelines if the annual premium on the loan guarantee is not received before the expiry of 30 days from the due date;

ARTICLE VI
Termination of MOU

Section 6.01 Either party may terminate this MOU by giving three months notice in writing
to the other party. Such termination shall not affect loan guarantees already granted under this MOU.

ARTICLE VII

Arbitration and Dispute Resolution

Section 7.01 Each party agrees that any dispute or controversy arising out of or relating to any interpretation of this MOU shall be settled by arbitration to be held in Sri Lanka in terms of the Sri Lanka Arbitration Act, No.11 of 1995 as amended and any laws as shall then be applicable to arbitration in Sri Lanka. The laws of Sri Lanka shall govern this MOU and the agreement to arbitrate.

ARTICLE VIII

Amendments

Section 8.01 Both parties agree that any amendment to the clauses herein above mentioned shall be amended only with the consent of both parties by an instrument in writing executed by parties.

Article IX

Execution

Section 9.01 Any action required or permitted or any documents permitted or required to be executed under this MOU on behalf of the Parties hereto shall be taken or executed by their duly authorized representatives or such person or persons as shall be designated in writing by the Parties.

IN WITNESS WHEREOF the parties hereto acting through their representatives thereunto duly authorized have caused this MOU to be signed in their respective names and to be delivered in Colombo Sri Lanka as of the day and year first above written.

For and on behalf of the ENERGY CONSERVATION FUND

For and on behalf of the ………… BANK

By authorized representative

By authorized representative

By authorized representative

By authorized representative

By authorized representative

By authorized representative

Signed this ………… day of ………….. in Colombo, Sri Lanka.
ENERGY CONSERVATION FUND

SUSTAINABLE GUARANTEE FACILITY OPERATING GUIDELINES - December 2005
Contents

Section

Section 1 Overview
Section 2 Eligibility
  2.1 Eligible Applicants
  2.2 Eligible Energy Efficiency Improvement Projects
Section 3 Terms and Conditions for Loan Guarantee
  3.1 Extent
  3.2 Repayment Period and Maximum Guarantee Period
  3.3 Grace Period
  3.4 Interest Rates for Guaranteed Loans
  3.5 Payment of Premium
  3.6 Effective Date
Section 4 Loan Guarantee Application Procedure
Section 5 Declaration and Undertaking by the PFI
Section 6 Loan Guarantee
  6.1 Issuance of Guarantee
  6.2 Procedure for Claiming SGF’s Guarantee
Section 7 Loan Default & Recovery
  7.1 Definition of Default
  7.2 Notice of Borrower Delinquency
  7.3 Rescheduling of Borrower Payment Terms
  7.4 Recovery
  7.5 Division of Recovery
Section 8 Loan Guarantee Termination Provisions
Section 9 Supplementary Provisions

Appendix A Application for ECF Guarantee & PFI Declaration
Appendix B ESCO Project Proposal Format
Appendix C Guarantee Certificate Format
Appendix D Application for Claim of Loan Guarantee
Appendix E Premium Payment Form
# Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CRIB</td>
<td>Credit Information Bureau</td>
</tr>
<tr>
<td>ECF</td>
<td>Energy Conservation Fund</td>
</tr>
<tr>
<td>EE</td>
<td>Energy Efficiency</td>
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<tr>
<td>ESCO</td>
<td>Energy Services Company</td>
</tr>
<tr>
<td>PFI</td>
<td>Participating Financial Institution</td>
</tr>
<tr>
<td>Rs</td>
<td>Sri Lankan Rupees</td>
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<tr>
<td>SGF</td>
<td>Sustainable Guarantee Facility</td>
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Section 1  Overview

The Energy Conservation Fund (ECF) established the Sustainable Guarantee Facility (SGF) to provide repayment guarantees to participating financial institutions (PFIs) for loans made to targeted energy efficiency improvement projects.

The main purpose of the SGF is to overcome the major barrier faced by energy efficiency projects, namely the lack of collateral, by providing a repayment guarantee that will act as a collateral substitute.

The PFIs are the lending institutions that will provide financial assistance to energy efficiency projects. They will have the option of requesting repayment guarantees. PFIs will agree to follow the guidelines provided by the SGF for this purpose.

The purpose of these Operating Guidelines is to provide guidance to SGF staff and to participating bank staff on the policies and procedures for considering loan guarantees under the Sustainable Guarantee Facility.
Section 2  Eligibility

2.1 Eligible Applicants

The SGF’s mission is to provide loan guarantees for energy efficiency improvement projects. The SGF seeks to act as a catalyst to increase financing of such projects. In this regard, the SGF welcomes applications for loans for energy efficiency improvement projects implemented by industrial enterprises, service providers, and project developers acceptable to the PFIs.

2.2 Eligible Energy Efficiency Improvement Projects

In accordance with its Operating Guidelines, the SGF seeks to support energy efficiency retrofit projects that have an acceptable payback period as a general principle. Other desirable characteristics can be found in projects that:

a) Demonstrate the economic and productivity advantages of energy efficiency investments;
b) Demonstrate the technical viability of energy efficiency systems;
c) Have a high probability of replication in the future;
d) Use technology that is proven in terms of feasibility and effectiveness; and
e) Have a clear payback schedule and are financially capable of repaying the principal and interest amount of the project loan.

The SGF supports loan guarantees for projects whose primary purpose must be energy savings and conservation. Such projects include, but are not limited to, those concerned with motor and drive efficiency controls, lighting efficiency controls, power factor correction, variable speed drives, chiller improvements, boiler improvements, air, water and steam distribution systems, thermal energy recovery, cogeneration, and process improvements.
Section 3 Terms and Conditions for Loan Guarantee

The terms and conditions for the loans guaranteed under the SGF are described below.

3.1 Extent

The guarantee from the SGF for a particular project will not exceed 75% of the total loan offered. However, the maximum guarantee per project is limited to Rs. 10.0 million. There is no minimum guarantee.

The guarantee will be adjusted yearly to reduce the value of the guarantee amount to 75% of the outstanding amount in order to reallocate released amount for new projects.

3.2 Repayment Period and Maximum Guarantee Period

Usually, the loan repayment period will be the project payback period guaranteed by the energy services company (ESCO) plus one year. However, the maximum guarantee period is limited to six years, whatever the repayment period for the loan granted by PFI.

3.3 Grace Period

The grace period would usually be from the time of release of the advance or first installment of the loan to the time when the project is commissioned, limited to a maximum period of one year.

3.4 Interest Rates for Guaranteed Loans

Interest rates are to be decided by the PFI. However, the SGF expects a reduction from the prevailing lending rate of the PFI for a facility with a similar risk, taking into consideration the provision of a below-market guarantee fee (at 0.5%) for the guaranteed loan. This should result in a considerable reduction in the cost of funds (with low risk factor) available for energy efficiency projects.

3.5 Payment of Premium

An annual guarantee premium of 0.5 percent of the outstanding guaranteed amount in the loan account will be charged from the borrower by the PFI on behalf of the SGF. At the end of each calendar year, based on the information provided by the PFIs, the SGF will reduce the value of the guarantee to reflect the repayments made during the year. The extent of guarantee will continue to be the same percentage of the loan determined for the guarantee at the time of issuing the guarantee cover.

The premium will become due to the SGF at the beginning of each year, on January 31 and the SGF will inform the PFIs two weeks before due date of the reduction of the value and the premium payable.

3.6 Effective Date

The guarantee cover would become effective on the date of disbursement of the first installment of the loan.
Section 4 Loan Guarantee Application Procedure

Given that the majority of the SGF’s resources will be focused on loan guarantees for participating banks, the application for guarantee relies to a large extent on the participating banks’ due diligence in analyzing and providing the required credit information and supporting information. In this regard, the following minimum information requirements listed on the application are designed to demonstrate the borrowers’ ability and willingness to repay the loan.

The information required for the processing of the application is as follows:

a) The application for SGF guarantee should include a description of the energy efficiency improvements, as well as of the borrower’s creditworthiness.
b) The PFI should certify, through a Declaration of Certification, that it has performed reasonable due diligence in providing the information included in its application.
c) The PFI must provide a copy of a certificate of insurance showing that the borrower has property and casualty insurance in force.
d) The documentation of the loan between the PFI and the borrower, the complete project proposal submitted to the borrower by the ESCO (together with any performance guarantees offered), and quotations and/or proforma invoices for the procurement of equipment and services to be provided under the loan should be forwarded to the SGF.
e) The PFI should be satisfied with the contract executed between the contractor (an ESCO certified by the ECF/SGF) and the borrower.
f) Once all the documents are in order and the application is accepted, the SGF will issue to the PFI a guarantee cover note to cover the loan for its duration, within 15 working days.
g) Quarterly reports signed by both the ESCO and the borrower verifying the status of the project in terms of its effectiveness at reducing energy consumption should be forwarded to the SGF.
h) The PFI should, in the agreement with the borrower, obtain the necessary rights to permit the PFI, the SGF, and the representative of the ECF to enter upon and inspect the premises where the project supported by the loan for which the guarantee was obtained is being implemented.
i) The ECF should be notified immediately on release of the first and final installment of the loan guaranteed by the PFI.
j) Reports giving recovery status on a quarterly basis to be forwarded by the PFI to the SGF.
Section 5 Declaration and Undertaking by the PFI

The PFI should accept and agree that:

a) It shall exercise all reasonable care and prudence in granting the loan to the borrower; and

b) If the borrower at any time fails to repay the loan on the due date, the PFI shall take all steps that may be necessary to effect recovery.

The PFI should undertake to meet the SGF’s minimum credit standards. The SGF’s credit standards are designed to serve as clear, transparent criteria to qualify potential borrowers for guarantees. Borrowers that meet the Fund’s minimum credit standards, outlined below, are likely to be approved for guarantees in an expedited fashion. If a borrower fails to meet the standards, the SGF may still approve a guarantee request provided that appropriate mitigants are offered to offset the credit risk of the borrower.

Minimum credit standards are:

a) The borrower must have a favorable letter of reference from its bank and a clean CRIB report.

b) The borrower must have positive operating cash flow for the latest year.

c) The borrower must have positive net income for the latest two years.

d) The borrower must have a debt-service-coverage ratio of 1.25. This ratio is defined as earnings before interest, taxes, depreciation and amortization as a percentage of interest + current maturities on long-term debt. (Please note that cost savings from implementing the energy efficiency project may be included in the calculation.

Note: Condition (b) above may be relaxed by the PFIs if the borrower has a negative cash flow due to high energy related expenditure but it becomes positive after the implementation of the energy efficiency project.
Section 6 Loan Guarantee

6.1 Issuance of Guarantee

The ECF will issue its guarantee to the participating bank upon satisfactory review of the application, which includes the credit information, supporting information, and declaration and undertaking by the participating bank (see Section 5).

6.2 Procedure for Claiming SGF’s Guarantee

If a borrower defaults on three consecutive monthly principal and/or interest payments, the PFI must inform the SGF and begin proceedings to pursue a judgment against the borrower. However, if the PFI decides to claim the guarantee, the PFI must submit the claim to the SGF thirty days after serving the demand notice on the borrower but not later than three months. The demand notice for this purpose will be the letter of demand served on the borrower by the legal officer of the PFI.

The claim under the guarantee will be limited to the extent of the guarantee on the principal amount in default and interest accruals thereon for a period not exceeding four months and the time taken for the SGF to process the application and honor the claim. The extent of the guarantee will be the same percentage of guarantee determined for the loan at the time of issuing the guarantee cover note. The exposure in the event of a default will be shared between the SGF and the originating PFI in the initial ratio of 75:25 or whatever applicable at the time of the disbursement.

The ECF/SGF will take all necessary steps to honor the guarantee payment within 60 days from the date of receipt of the claim together with all required documents.
Section 7  Loan Default & Recovery

7.1 Definition of Default

Borrower default is defined as the borrower’s failure to make three consecutive principal and/or interest payments on a loan, based on monthly repayments.

7.2 Notice of Borrower Delinquency

On observing the first signs of borrower delinquency, the PFI must notify the SGF in writing of its observations and any actions it proposes to take.

7.3 Rescheduling of Borrower Payment Terms

Before submitting a claim for payment under the sustainable guarantee facility, the PFI must explore the possibility of rescheduling the borrower’s loan. Any consideration of rescheduling must be forwarded to SGF supported by a written request from the borrower and accompanied by an explanation and appropriate supporting documentation that indicates how the additional time will enable the borrower to repay the loan.

The SGF will convey its decision on the coverage of the addition period of rescheduled loan, to a PFI within two weeks from the date of receipt of the application for rescheduling.

7.4 Recovery

It is the duty of the PFI to take prompt and effective action for the recovery of any overdue amount in all ways open to it, even after the settlement of a claim under the guarantee, and to keep the SGF informed of the action taken and of any developments.

7.5 Division of Recovery

All amounts recovered after payment of a claim should be shared between the SGF and the PFI in the proportion of an amount equivalent to the percentage of the amount paid by the SGF.
Section 8  Loan Guarantee Termination Provisions

The SGF may terminate a loan guarantee agreement if the annual premium is not received before the expiry of 30 days from the due date, January 31 of the year.
Section 9  Supplementary Provisions

The SGF/ECF will make such supplementary or additional provisions as may be necessary for the purpose of this scheme.
Appendix A  Application for ECF Guarantee and PFI Declaration

Ministry of Power & Energy

Energy Conservation Fund (ECF)

Application for Loan Guarantee Under Sustainable Guarantee Facility (SGF)

PART I

We (Name of bank and branch)

hereby apply for a loan guarantee under the above scheme, the terms and conditions of which are described in Operating Guidelines of SGF. The guarantee is requested with respect to the loan proposed to be granted for an energy efficiency project, forwarded by an energy services company (ESCO) certified by the ECF, as detailed below.

1. Particulars of the borrower:

   (Name of the firm)

   (Address)

   (Type of industry)

2. Particulars of the ESCO:

   (Name of the ESCO)

   (Address)

3. Brief description of the project for which the loan is granted:

4. Particulars of the loan approved:

   (a) Cost of project: Rs. .................................................................

   (b) Total loan approved: Rs. ............................................................

   (c) Date loan approved: .................................................................
(d) Rate of interest: ..................................................................................................
(e) Repayment period: .............................................................................................
(f) Grace period: ....................................................................................................
(g) Implementation period of the project: ............................................................
(h) Payback period agreed by ESCO: .................................................................
(i) Particulars of security taken for the loan: ....................................................

5. Particulars of the loan for which the guarantee is sought:

(a) Amount of guarantee requested:

    Rs. ............................................................... (Rs. .................)
    (in words)                                     (in figures)

(b) Amount of guarantee as a percentage of loan approved: .................... %

6. The date on which the borrower became our client: .....................................

7. Our general assessment of the financial position and credit worthiness of the
borrower:

(a) General Assessment:
(b) Previous borrowing:
    Source/original amount and date/purpose/balance outstanding/rate of interest/ repayment
    performance.

PART II

1. Copies/originals of the following are attached:

(a) ESCO proposal;
(b) ESCO performance contract; and
(c) Borrower's insurance certificates.
(d) Copy of offer letter or draft loan agreement.

DECLARATION

We do hereby accept, agree and undertake to abide by and comply with all and singular terms
and conditions set forth, contained in the said Operating Guidelines of SGF. In particular, we
declare:
(a) The PFI shall exercise all reasonable care and prudence in granting the loan to borrower;
(b) If the borrower at any time fails to repay the loan on the due date, the PFI shall take all
    steps that may be necessary to effect recovery from the borrower;
(c) That the following minimum credit standards have been met:
(d) That we have performed reasonable due diligence in providing the information included in
    this application.
We undertake to meet the minimum credit standards given below:
1. The borrower must have a favorable letter of reference from its bank and a clean CRIB report.
2. The borrower must have positive operating cash flow for the latest year.
3. The borrower must have positive net income for the latest two years.
4. The borrower must have a debt-service-coverage ratio of 1.25. This ratio is defined as earnings before interest, taxes, depreciation, and amortization as a percentage of interest + current maturities on long-term debt. (Please note that cost savings from implementing the energy efficiency project may be included in the calculation.)

We hereby declare and certify that the above representations and statements made by us are true to the best of our knowledge and belief and that we have not misrepresented or omitted any material fact that has a bearing on the guarantee applied for.

We agree that this declaration and all the representations, statements, and undertakings contained herein shall form the basis of, and be incorporated in, the guarantee and that the truth of such representations and statements and the due performance of each and every undertaking contained herein or in the guarantee shall be a condition precedent to any liability of the Energy Conservation Fund under the guarantee and to the enforcement thereof by us.

Signature of authorized officer; seal of the bank

Name and title of authorized officer

Address of the bank:

Date: ......................

The application to be forwarded to:
Fund Manager
Sustainable Guarantee Facility
C/o Energy Conservation Fund,
BMICH, Colombo 7
Sri Lanka

All applications should be submitted by the headquarters or central office of the PFI, endorsed by the authorized officer, and not by branch officers
Appendix B

ESCO Project Proposal Format

ESCO PROJECT PROPOSAL FORMAT

PROPOSAL FOR ENERGY EFFICIENCY IMPROVEMENTS AT [INSTALLATION]

Date: ....................................

Dear Sir:

We at [name of energy services company], an ECF-certified energy service provider, recently conducted an energy survey at [client’s installation] and identified several measures to reduce energy costs and effect efficiency improvements at [installation].

Based on the aforesaid energy survey, we are pleased to forward herewith for your consideration a proposal to effect the cost-effective energy efficiency improvements. A summary of the proposal is given below.

1. The total cost of the implementation of the proposed energy efficiency improvement project (EEIP) on a turnkey basis, with a saving guarantee, will be Rs. ............................. .

2. The annual energy cost savings, based on current energy tariffs, would be Rs. .............. ...... .

3. Based on above, the estimated simple payback period would be ................. years.

<para> (to justify/promote the proposal, ESCO project skill and other services offered with the projects)
1. SCHEDULE OF PROPOSALS

<table>
<thead>
<tr>
<th>S.No</th>
<th>Efficiency Measure</th>
<th>Description</th>
<th>Savings (Rs)</th>
<th>Investment (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Measure 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Measure 2</td>
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<td></td>
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<tr>
<td>3</td>
<td>Measure 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Measure 4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Measurement and Verification

Project Management and Consultancy

TOTAL

Simple Payback period

2. PROJECT IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Item</th>
<th>Completion from advance payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Development</td>
<td></td>
</tr>
<tr>
<td>Performance Contract</td>
<td></td>
</tr>
<tr>
<td>Implementation of Measure 1</td>
<td></td>
</tr>
<tr>
<td>Implementation of Measure 2</td>
<td></td>
</tr>
<tr>
<td>Implementation of Measure 3</td>
<td></td>
</tr>
<tr>
<td>Commissioning</td>
<td></td>
</tr>
<tr>
<td>Monitoring &amp; Verification of Saving</td>
<td></td>
</tr>
<tr>
<td>Capacity-building &amp; Training</td>
<td></td>
</tr>
<tr>
<td>Total Project</td>
<td></td>
</tr>
</tbody>
</table>
3. **WARRANTY ON EQUIPMENT**

All equipment supplied will carry a full manufacturer’s warranty covering the entire payback period, guaranteed by the local agent for equipment in Sri Lanka. The warranty given shall be deemed null and void if the system is not protected with an acceptable surge protection system where vendor warranty is less than the payback period, we shall obtain insurance cover for such equipment.

4. **GUARANTEE OF SAVINGS**

[ESCO] will guarantee savings as per the attached performance contract during the project payback period.

5. **PAYMENT TERMS**

**Implementation with Guaranteed Savings**

- **X%** advance payment immediately after the signing of a performance contract.
- **Y%** upon delivery of equipment
- Remaining amount upon submission of a saving verification certificate after the completion of all tasks listed in the proposal/implementation schedule.

*(Typical values: X = 30% and Y = 40%)*

6. **VALIDITY**

This offer is valid for __________ weeks.

We hope this proposal satisfies your requirements. Should you need more information, please do not hesitate to contact us.

Yours truly,

Manager

[ESCO]

**Addenda:**

1.0 Financial Analysis,
2.0 Sample performance contract,
3.0 Details of EE measures proposed, and
4.0 Other supporting documents.
# ENERGY EFFICIENCY IMPROVEMENT PROJECT FINANCIAL ANALYSIS

## Sheet 1

<table>
<thead>
<tr>
<th>Name</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Name of Client</td>
<td></td>
</tr>
<tr>
<td>Name of ESCO</td>
<td></td>
</tr>
<tr>
<td>Name of Bank</td>
<td></td>
</tr>
<tr>
<td>Project Ref No</td>
<td></td>
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</tbody>
</table>

## Contact Persons

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESCO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Proposal Date


## Project Location


## Brief Description of Project


## Capital Outlay (LKR '000)

Total


## Recurrent Outlay/Month (LKR '000)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Maintenance Expenses</td>
<td>0.00</td>
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<tr>
<td>Monitoring and Verification Expenses</td>
<td>1.00</td>
</tr>
<tr>
<td>Additional Op Exp.</td>
<td>0.00</td>
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<tr>
<td>Annual Increase of Recurrent Expenses</td>
<td>0%</td>
</tr>
</tbody>
</table>

## Financed By

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity (LKR)</td>
<td>0.00</td>
<td>0%</td>
</tr>
<tr>
<td>Debt (LKR)</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

## Project Implementation Period

0 Months

## Loan Details

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>%</th>
<th>Months</th>
<th>Years</th>
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</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grace Period</td>
<td>0.00</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Period</td>
<td>0.00</td>
<td>%</td>
<td></td>
<td></td>
</tr>
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</table>

## Exchange Rates

<table>
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<tr>
<th>Item</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>USD/LKR</td>
<td></td>
</tr>
<tr>
<td>EURO/LKR</td>
<td></td>
</tr>
<tr>
<td>JY/LKR</td>
<td></td>
</tr>
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</table>

## Discount rate

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.00%</td>
<td>%</td>
</tr>
<tr>
<td>Depreciation Rate</td>
<td>0.00%</td>
<td>%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>0.00%</td>
<td>%</td>
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</tbody>
</table>
### Estimating Annual Savings Cost

<table>
<thead>
<tr>
<th>Electricity</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Electricity Saving</td>
<td>Rs.'000 0</td>
</tr>
</tbody>
</table>

| Forecast Annual Tariff Escalation | 0%% |

<table>
<thead>
<tr>
<th>Other Sources of Energy - Type 1</th>
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</thead>
<tbody>
<tr>
<td>Type of Energy Source</td>
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<tr>
<td>Annual Saving in Rs.'000</td>
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</tbody>
</table>

| Forecast of Fuel Cost Escalation | 0%% |

<table>
<thead>
<tr>
<th>Other Sources of Energy - Type 2</th>
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</thead>
<tbody>
<tr>
<td>Type of Energy Source</td>
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<tr>
<td>Annual Saving in Rs.'000</td>
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</tbody>
</table>

| Forecast of Fuel Cost Escalation | 0%% |

<table>
<thead>
<tr>
<th>Savings Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Electricity</td>
</tr>
<tr>
<td>Other sources of energy: 1</td>
</tr>
<tr>
<td>Other sources of energy: 2</td>
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<tr>
<td>Total</td>
</tr>
</tbody>
</table>

### Estimating Project Cost

<table>
<thead>
<tr>
<th>Direct Costs</th>
<th>Rs.'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures</td>
<td>-</td>
</tr>
<tr>
<td>ESCO’s management fee</td>
<td>-</td>
</tr>
<tr>
<td>Project Overheads</td>
<td>-</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>-</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>-</td>
</tr>
<tr>
<td>10% Contingency</td>
<td>-</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>0</td>
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</tbody>
</table>

| Interest During Implementation | 0.00 |

<table>
<thead>
<tr>
<th>Depreciation Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Op Balance of Capitalized Assets</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Closing Balance of Fixed Assets</td>
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</tbody>
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### PROJECT FINANCING

#### Loan Schedule

**Loan Amount-LKR '000 (with IDC)**

<table>
<thead>
<tr>
<th>Year</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>Op Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Repayment</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Interest</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Profit and Loss Statement-LKR '000

#### Year

<table>
<thead>
<tr>
<th>Savings</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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<tr>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Less:**

| Maintenance Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Additional Op costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| M&V Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Gross Additional Profit

| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

**Less:**

| Interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Net additional Profit before Tax

| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Additional Tax

| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Additional Profit after Tax

| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

#### Project and Equity Cash flow-LKR '000

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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</thead>
<tbody>
<tr>
<td>Profit after Tax</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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**Add back:**

| Depreciation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Project Cash flow

| - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Cumulative Project Cash flow

| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Discounted Project Cash flow

| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
### Exhibit C  
**Operating Guidelines**

#### Discounted Cum. Project Cash flow
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<th>2</th>
<th>3</th>
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<tr>
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#### Net Present Value-Project
| 0.00 |

#### Internal Rate of Return-Project
| 0.00 |

#### Project Cash flow
| Less: |
|---|---|---|---|---|---|---|
| Interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

#### Equity Cash flow
| - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

#### Discounted Equity Cash flow
| - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

#### NPV on Equity Cash Flow
| 0.00 |

#### IRR of Equity Cash Flow
| 0.00 |

#### Savings
| - | 0.00 | 0.00 | 0.00 | 0.00 |

#### Loan
| - | 0.00 | 0.00 | 0.00 | 0.00 |

---

#### DEBT SERVICING

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**Project IRR**
| 0.00 |

**Equity IRR**
| 0.00 |

**Project Pay Back**
| Years |

**Discounted Payback**
| Years |
Appendix C

Guarantee Certificate

Ministry of Power and Energy/ Energy Conservation Fund

Sustainable Guarantee Facility

Loan Guarantee Certificate

(Name of Bank)

(Name of Borrower)

in the amount of Rupees

(in words)

(Rs-

for an energy efficiency improvement/conservation project, subject to the terms and conditions set forth and contained in the Operating Instructions of SGF and declarations/undertakings made in the guarantee application. The extent of the guarantee is limited to Seventy Five percent of the loan amount approved, subject to a maximum liability of Rs. 10.0 million.

ECF/SGF/LG/…………………

Date of Issue

For and on behalf of the Energy Conservation Fund

General Manager/ CEO

Energy Conservation Fund
Appendix D  Application for Claim of Loan Guarantee

Ministry of Power & Energy

Energy Conservation Fund (ECF)

Application for Claim of Loan Guarantee Under Sustainable Guarantee Facility (SGF)

1. Name of PFI: ..................................................................................................................

Branch: ..........................................................................................................................

We hereby declare that:

(Defaulter's name) ..........................................................................................................

Address ..........................................................................................................................

is indebted to us to the extent of Rs. ......................... (figures), or

Rs. .................................................................................................................................

and that the debt is covered under the Energy Conservation Fund, Sustainable Guarantee Facility, guarantee program, the particulars of which are given below:

<table>
<thead>
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<th>Date of Issue (DD/MM/YYYY)</th>
<th>Extent of Guarantee</th>
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<tr>
<td>ECF/SGF/LG.............</td>
<td>..............................</td>
<td>Rs....................</td>
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2. (a) Particulars of the loan are given below:

   i) Loan granted: Rs. ..............................................

   ii) Total amount repaid (principal): Rs. ...................

   iii) Amount due as on date (principal) (i-ii): Rs. ...........

   iv) Interest accruals (max. 4 months): Rs. ...................

Total claimed (iii + iv): Rs. .................................
3. Particulars of all payments made by the borrower (monthly) during the last twelve calendar months.

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<th>Remarks</th>
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4. Reason for non-payment of the loan specified at 2 above:

............................................................................................................................................
............................................................................................................................................
............................................................................................................................................

5. Present position of the project (state whether the energy efficiency measures are functioning and, if so, whether funds generated are sufficient to repay the loan. If the energy efficiency measures are not functioning, give reasons and state whether project assets, such as machinery, are available):

PFI's Comments:

ESCO's Comments:

(Please attach reports and comments forwarded by ESCO to this claim form.)

6. Assessment of the financial position of the borrower:

7. Date demand notice served (please attach certified copies):

8. Details of any recovery action so far taken:
9. We declare that we have complied with the terms and conditions of the ECF’s SGF scheme for energy efficiency projects and accordingly claim payment of ..........% percent (the extent of guarantee) of the outstanding debt of Rs. .................................................. (figures)
(Rs.................................................................) (words).

10. We further undertake that irrespective of the receipt of the amount claimed by us we shall pursue recovery action to pay to the ECF its share of any amount recovered from the borrower or from any other person or source immediately upon the receipt of the amount by us.

11. We declare and certify that all statements and representations made herein or in any letter written in this connection are true to the best of our knowledge and belief and undertake to inform you promptly of any change in the position as and when such change takes place.

12. The check or draft in settlement of this claim may be made payable to
............................................................................................................................................
..............................................................................................................................................
..............................................................................................................................................

Name and signature of authorized officer

..............................................................................................................................................

Title of signatory

Date:...........................................

To be forwarded to:
Fund Manager
Sustainable Guarantee Facility
C/o Energy Conservation Fund,
BMICH, Colombo 7
Sri Lanka
Appendix E  

Premium Payment Form

Ministry of Power & Energy  
Energy Conservation Fund (ECF)

Loan Guarantee Under  
Sustainable Guarantee Facility (SGF)

**PAYMENT OF PREMIUM**

Bank/Branch: 

Guarantee Certificate No.: ECF/SGF/LG………

Borrower's Name:

Guaranteed Loan Amount:

Date of Disbursement of 1st Installment:

Amount Disbursed:

Premium for the Period:  
From……………………to…………………

Premium Due:

Cheque No. : 

Date of Cheque:  
(Cheques to be drawn in favor of the Fund Manager, Sustainable Guarantee Facility)

Name and signature of Authorized officer of the bank  

Title of signatory  

Address of the Bank ........................................................................................................

To be forwarded to:  
Fund Manager  
Sustainable Guarantee Facility  
C/o Energy Conservation Fund,  
BMICH, Colombo 7, Sri Lanka
Sustainable Guarantee Facility

Stakeholder Training Workshop
December 1, 2 and 3, 2005
Report on the Stakeholder Training Workshop

Program: The 2 ½ day stakeholder training workshop on the implementation of the Sustainable Guarantee Facility was conducted by Nexant, Inc. on behalf of the United States Agency for International Development, under the South Asia Regional Initiative for Energy.

Program was conducted at Hotel Coral Garden, Hikkaduwa (located in a Tsunami affected area) from December 1-3, 2005.

Objective: The objective of the training session was to build capacity of participating credit institutions, energy service providers and staff attached to the Facility Management Unit of the Energy Conservation Fund to implement the SGF.

Agenda: Final program agenda is attached – Annex 1.

Participation: 33 stakeholders participated in the 2 ½ day workshop and included:
PFIs = 13
ESCOs = 12
Others = 8
List of participants is attached – Annex 2.

Course evaluation: Evaluation of the course was conducted by the participant using the evaluation form provided with the course material, at the request of Nexant, Inc.

Course evaluation was analyzed by categorizing the evaluation into two categories; PFIs and Technical personnel.

Summary of evaluation done by PFIs is given in Annex 3.
Summary of evaluation done by technical personnel is given in Annex 4.

Remarks: From the evaluation done by participants, it is clear that all have found the program useful. More than 54% of the participants have rated the program as excellent and the remaining 46% have found it to be very good.

Further improvements and requirements specified by the participants:
1) Capacity building of PFIs on technical issues
2) Awareness programs to attract clients
3) ESCO capacity building
4) Another training session after the pilot projects are developed.

M S Jayalath
Sr. Consultant for Nexant, Inc.
December 6, 2005
Residential Training Program for Key Stakeholders (ECF/PFI/ESCOs)
December 1, 2 and 3, 05 at Hotel Coral Gardens, Hikkaduwa

List of Participants

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of Participant</th>
<th>Organization</th>
<th>Designation</th>
<th>Tele/Fax</th>
<th>Email</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Mr. Asela Leuwanduwa</td>
<td>Com Bank</td>
<td>Executive Officer Development</td>
<td>2384356 2459213</td>
<td><a href="mailto:Asela_Leuwanduwa@combank.net">Asela_Leuwanduwa@combank.net</a></td>
</tr>
<tr>
<td>2</td>
<td>Mr. Samantha Ratnayaka</td>
<td>Com Bank</td>
<td>Junior Executive Officer</td>
<td>2384356 2459213</td>
<td><a href="mailto:Samantha_Ratnayaka@combank.net">Samantha_Ratnayaka@combank.net</a></td>
</tr>
<tr>
<td>3</td>
<td>Mrs. Chatura Kulasinghe</td>
<td>NDB</td>
<td>Manager</td>
<td>2440179</td>
<td><a href="mailto:chatura.kulasinghe@ndbank.com">chatura.kulasinghe@ndbank.com</a></td>
</tr>
<tr>
<td>4</td>
<td>Mr. Suranjith Chandrasekara</td>
<td>Seylan Bank</td>
<td>Assistant Manager-Credits</td>
<td>4701475</td>
<td><a href="mailto:suranjithc@seylan.lk">suranjithc@seylan.lk</a></td>
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<tr>
<td>5</td>
<td>Mr. Lushantha Ranasinghe</td>
<td>Seylan Bank</td>
<td>Executive Officer</td>
<td>4701477</td>
<td><a href="mailto:lushanthar@seylan.lk">lushanthar@seylan.lk</a></td>
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<td>6</td>
<td>Ms. Sajani Abeysekara</td>
<td>Sampath Bank</td>
<td>Staff Officer</td>
<td>4730218</td>
<td><a href="mailto:sajani@credit.sampath.lk">sajani@credit.sampath.lk</a></td>
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<td>7</td>
<td>Mr. Deshapiya Peiris</td>
<td>Sampath Bank</td>
<td>Staff Assistant</td>
<td>4730219</td>
<td><a href="mailto:db.mgr@sampath.lk">db.mgr@sampath.lk</a></td>
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<tr>
<td>8</td>
<td>Mrs. Dilunika Jayasinghe</td>
<td>HNB</td>
<td>Project Relationship Manager</td>
<td>2661764</td>
<td><a href="mailto:projfin@hnb.lk">projfin@hnb.lk</a></td>
</tr>
<tr>
<td>9</td>
<td>Mr. Puspika Jayasundara</td>
<td>HNB</td>
<td>Project Relationship Manager</td>
<td>2661764</td>
<td>No E-mail</td>
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<tr>
<td>10</td>
<td>Mrs. P S Perera</td>
<td>BOC</td>
<td>Junior Executive Officer</td>
<td>2445812</td>
<td>No E-mail</td>
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<tr>
<td>11</td>
<td>Mr. K L T R Jayawardana</td>
<td>BOC</td>
<td>Executive Officer</td>
<td>2445812</td>
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<tr>
<td>12</td>
<td>Mr. Viboda Chandrasekara</td>
<td>DFCC</td>
<td>Assistant Relationship Manager</td>
<td>2442442</td>
<td><a href="mailto:Viboda.Chandrasekara@dfccbank.com">Viboda.Chandrasekara@dfccbank.com</a></td>
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<tr>
<td>13</td>
<td>Mr. Saminda Goonasekara</td>
<td>DFCC</td>
<td>Relationship Manager</td>
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<td><a href="mailto:Saminda.Goonasekara@dfccbank.com">Saminda.Goonasekara@dfccbank.com</a></td>
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## Energy Service Providers

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<td>14</td>
<td>Mr. Sameera Ganegoda</td>
<td>LTL Energy (Pvt) Ltd</td>
<td>Electrical Engineer</td>
<td>2695007</td>
<td><a href="mailto:sameera@tlt.lk">sameera@tlt.lk</a></td>
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<tr>
<td>15</td>
<td>Mr. Mahilal Narangoda</td>
<td>Venigross Ltd</td>
<td>Engineering Executive</td>
<td>0332255091</td>
<td>No Email</td>
</tr>
<tr>
<td>16</td>
<td>Mr. Ananda Narmal</td>
<td>NERD Centre</td>
<td>Head of Department</td>
<td>5354374</td>
<td><a href="mailto:tilla@sltnet.lk">tilla@sltnet.lk</a></td>
</tr>
<tr>
<td>17</td>
<td>Mr. Anil Kumara</td>
<td>ISB</td>
<td>Consultant</td>
<td>03722-23721</td>
<td><a href="mailto:anilk@isb.lk">anilk@isb.lk</a></td>
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<tr>
<td>18</td>
<td>Mr. Lahiru Boralugoda</td>
<td>Professional Met Consultancy Services</td>
<td>Project Engineer</td>
<td>4721224</td>
<td><a href="mailto:promet@slt.lk">promet@slt.lk</a></td>
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<tr>
<td>19</td>
<td>Mr. Indika Wijesena</td>
<td>Metropolitan Agencies (Pvt) Ltd</td>
<td>Application Engineer</td>
<td>4413975</td>
<td><a href="mailto:indikaw@metropolitan.lk">indikaw@metropolitan.lk</a></td>
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<tr>
<td>20</td>
<td>Mr. Vipul Perera</td>
<td>Access Energy Solutions (Pvt) Ltd</td>
<td>Manager – Engineering</td>
<td>2302302</td>
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<tr>
<td>21</td>
<td>Mr. Roshal Perera</td>
<td>Access Energy Solutions (Pvt) Ltd</td>
<td>General Manager</td>
<td>2302302</td>
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<tr>
<td>22</td>
<td>Mr. Ruwan Sampath</td>
<td>EMS</td>
<td>Manager – Engineering</td>
<td>2504531</td>
<td><a href="mailto:ruwan@iqsystems.lk">ruwan@iqsystems.lk</a></td>
</tr>
<tr>
<td>23</td>
<td>Mr. Kosala Samaraweera</td>
<td>Hayleys Industrial Solutions</td>
<td>Application Engineer</td>
<td>2699100</td>
<td><a href="mailto:kosala.samaraweera@hayleys.lk">kosala.samaraweera@hayleys.lk</a></td>
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<td>Mrs. Chinthika Pathiraja</td>
<td>Brandix Energy Management</td>
<td>Electrical Engineer</td>
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<td>4727081</td>
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## Energy Conservation Fund

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<td>Mr. M M R Pathmasiri</td>
<td>ECF</td>
<td>Director-Energy Management</td>
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<td><a href="mailto:ranjith@energy.gov.lk">ranjith@energy.gov.lk</a></td>
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<tr>
<td>27</td>
<td>Mr. H A Wimal Nadeera</td>
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<td>Program Manager-Energy Management</td>
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<td>2677445</td>
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## Resource Persons & Office Staff

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<tr>
<td>29</td>
<td>Mr. M S Jayalath</td>
<td>Nexant, Inc.</td>
<td>EE Specialist</td>
<td>2452155, 2386021</td>
<td><a href="mailto:msjayalath@sari-energy.org">msjayalath@sari-energy.org</a></td>
</tr>
<tr>
<td>30</td>
<td>Mr. Ravindra Pitigalage</td>
<td>Nexant, Inc.</td>
<td>Finance Expert</td>
<td>2695007</td>
<td><a href="mailto:Ravindra@tlt.lk">Ravindra@tlt.lk</a></td>
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Exhibit D

Training Report

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<tr>
<td>31</td>
<td>Mr. Chandana Deshapriya</td>
<td>Nexant, Inc.</td>
<td>Project Analyst</td>
<td>2386021</td>
<td><a href="mailto:dchandana@sltnet.lk">dchandana@sltnet.lk</a></td>
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<tr>
<td>32</td>
<td>Mr. Kelum Tennakoon</td>
<td>Nexant, Inc.</td>
<td>Office Assistant</td>
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<td><a href="mailto:sadakelum13@yahoo.co.uk">sadakelum13@yahoo.co.uk</a></td>
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<tr>
<td>33</td>
<td>Mr. Manjula Thanranga</td>
<td>Nexant, Inc.</td>
<td>Office Staff</td>
<td>2386021</td>
<td>No E- mail</td>
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Annex 2

SARI/Energy Technical Assistance
Implementation of Sustainable Guarantee Facility
Residential Training Program for Key Stakeholders (ECF/PFI/ESCOs)
December 1, 2 and 3, 05 at Hotel Coral Gardens, Hikkaduwa

Program

Day 1:

830 – 900 hrs: Registration

900 – 1000 hrs: Session 1: Inauguration/Introduction (ECF/USAID)
- Welcome remarks – ECF/USAID
- Program overview – M Jayalath, Nexant SARI/Energy

1000 – 1030 hrs: Tea

1030 – 1100 hrs: Session 2: Introduction to Energy Management (M Jayalath)
- Basics of energy efficiency
- Components of an Energy Management Program
- Implementation approach and contracting
- EE project financing

1100 – 1145 hrs: Session 3: Sustainable Guarantee facility
(M Jayalath/R Pitigalage)
- Key features
- Operating guidelines
- End-use technologies selected

1145 – 1215 hrs: Session 4: Findings from Recent Energy Audits
(Harsha Wickramasinghe/Padmasiri)

1215 – 1230 hrs Moderated discussion (Harsha Wickramasinghe)

1230 – 1400 hrs: Lunch

1400 – 1500 hrs: Session 5: EE project development cycle
(M Jayalath/R Pitigalage)
- Phases of an Energy Audit
Exhibit D

Training Report

- Identification of EE measures and preliminary analysis
- Performance contracting
- Monitoring and verification of savings

1500 – 1530 hrs: Tea

1530 – 1630 hrs: Session 6: Investment grade Audit (M Jayalath/R Pitigalage)
- Components of an IGA
- Detailed financial analysis
- Contracts
- Monitoring and verification of savings
- Reports/Formats

1630 – 1645 hrs: Discussion (M Jayalath/R Pitigalage)

DAY 2:

900 – 1000 hrs: Session 7: Investigating Financial Viability of an EE project (R Pitigalage)
- Components of the total investment cost
- Calculating cost
- Pitfalls in estimating project cost

1000 – 1030 hrs: Tea

1030 – 1130 hrs: Section 8: Introduction to Cash Flow Statements (R Pitigalage)
- Cash Flow Statements
- Introduction to the Automated Cash Flow Projection

1130 – 1200 hrs: Group exercise

1200 – 1230 hrs: Group presentations

1230 – 1400 hrs: Lunch

1400 – 1500 hrs: Session 9: Risk and Risk Mitigation (M Jayalath/R Pitigalage)
- Major risk
- Sensitivity analysis
- Risk mitigation with SGF

1500 – 1530 hrs: Tea

1530 – 1630 hrs: Session 10: Structuring of Project Documentation for SGF (M Jayalath/R Pitigalage)
- Reporting formats
- Contracts and agreements
- Special requirements for SGF
DAY 3:

900 – 930 hrs: Session 11: Role of FMU (M Jayalath)
- Project proposal evaluation
- Project progress monitoring

930 – 1000 hrs: Discussion on issues related to project financing (M Jayalath/R Pitigalage)

1000 – 1030 hrs: Tea

1030 – 1130 hrs: Session 12: TA under USAID for Pilot projects (M Jayalath/R Pitigalage)
- Pilot project identification
- TA assistance to projects
- Discussion on further requirements

1130 – 1145 hrs: Course evaluation

1145 – 1200 hrs: Course wrap up: ECF/USAID

1200 – 1400 hrs: Lunch/ END

Annex 3

Sustainable Guarantee Facility
Stakeholder Training Workshop
December 1, 2 and 3, 2005
Evaluation of Course by PFIs

Note:
1) Evaluation was done by participants using the course evaluation form included
2) Number participated in the evaluation was 33 (13 PFIs + 11 ESCOs + 9 others).

1) Program content

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<th>Excellent</th>
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<td>Program content</td>
<td>0%</td>
<td>54%</td>
<td>46%</td>
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<td>Instructional method &amp; delivery</td>
<td>0%</td>
<td>38%</td>
<td>62%</td>
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<tr>
<td>Balance between theory &amp; practicals</td>
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<td>48%</td>
<td>49%</td>
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<td>0%</td>
<td>38%</td>
<td>62%</td>
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<tr>
<td>Discussions</td>
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<tr>
<td>Pace of instructions</td>
<td>0%</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Course material</td>
<td>0%</td>
<td>23%</td>
<td>77%</td>
</tr>
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</table>
Exhibit D

Training Report

Sessions

<table>
<thead>
<tr>
<th>Name of resource person/topic</th>
<th>Content</th>
<th>Presentation</th>
<th>Applicability</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to energy management</td>
<td>81%</td>
<td>88%</td>
<td>77%</td>
<td>82%</td>
</tr>
<tr>
<td>Sustainable Guarantee Facility</td>
<td>85%</td>
<td>88%</td>
<td>87%</td>
<td>87%</td>
</tr>
<tr>
<td>Finding of recent audits</td>
<td>77%</td>
<td>71%</td>
<td>69%</td>
<td>72%</td>
</tr>
<tr>
<td>EE project development cycle</td>
<td>83%</td>
<td>85%</td>
<td>77%</td>
<td>81%</td>
</tr>
<tr>
<td>Investment grade audit</td>
<td>77%</td>
<td>81%</td>
<td>71%</td>
<td>76%</td>
</tr>
<tr>
<td>Financial viability of EE project</td>
<td>88%</td>
<td>88%</td>
<td>90%</td>
<td>89%</td>
</tr>
<tr>
<td>Cash flow statements</td>
<td>87%</td>
<td>90%</td>
<td>92%</td>
<td>90%</td>
</tr>
<tr>
<td>Risks and Risk management</td>
<td>83%</td>
<td>81%</td>
<td>87%</td>
<td>83%</td>
</tr>
<tr>
<td>Structuring project documents</td>
<td>79%</td>
<td>77%</td>
<td>79%</td>
<td>78%</td>
</tr>
<tr>
<td>Role of FMU</td>
<td>79%</td>
<td>83%</td>
<td>79%</td>
<td>80%</td>
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<tr>
<td>Technical Assistance from USAID</td>
<td>75%</td>
<td>75%</td>
<td>71%</td>
<td>74%</td>
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General

<table>
<thead>
<tr>
<th>Did the seminar meet expectations?</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements &amp; requirements</td>
<td>1) More on technical issues required</td>
</tr>
<tr>
<td></td>
<td>2) Focused training for Bankers</td>
</tr>
<tr>
<td></td>
<td>3) Awareness seminars during project development</td>
</tr>
</tbody>
</table>

3) Overall rating of course by participants:

- Excellent (100%) - 54%
- Very good (75%) - 46%
- Good (50%) - 0%
- Poor (25%) - 0%

Annex 4

Sustainable Guarantee Facility

Stakeholder Training Workshop
December 1, 2 and 3, 2005
Evaluation of Course by ESCOs

Note:
1) Evaluation was done by participants using the course evaluation form included
2) Number participated in the evaluation was 33 (13 PFLs + 11 ESCOs + 9 others).
1) Program content

<table>
<thead>
<tr>
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<th>Good</th>
<th>Excellent</th>
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<td>Instructional method &amp; delivery</td>
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<td>33%</td>
<td>67%</td>
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<tr>
<td>Balance between theory &amp; practicals</td>
<td>3%</td>
<td>33%</td>
<td>64%</td>
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<td>Consultations with participants</td>
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<td>11%</td>
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<tr>
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<tr>
<td>Pace of instructions</td>
<td>0%</td>
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<td>Course material</td>
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<td>44%</td>
<td>56%</td>
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</tbody>
</table>

2) Sessions

<table>
<thead>
<tr>
<th>Name of resource person/topic</th>
<th>Content</th>
<th>Presentation</th>
<th>Applicability</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to energy management</td>
<td>75%</td>
<td>89%</td>
<td>81%</td>
<td>81%</td>
</tr>
<tr>
<td>Sustainable Guarantee Facility</td>
<td>92%</td>
<td>92%</td>
<td>83%</td>
<td>89%</td>
</tr>
<tr>
<td>Finding of recent audits</td>
<td>69%</td>
<td>78%</td>
<td>83%</td>
<td>77%</td>
</tr>
<tr>
<td>EE project development cycle</td>
<td>83%</td>
<td>89%</td>
<td>86%</td>
<td>86%</td>
</tr>
<tr>
<td>Investment grade audit</td>
<td>83%</td>
<td>89%</td>
<td>94%</td>
<td>89%</td>
</tr>
<tr>
<td>Financial viability of EE project</td>
<td>89%</td>
<td>89%</td>
<td>89%</td>
<td>89%</td>
</tr>
<tr>
<td>Cash flow statements</td>
<td>83%</td>
<td>94%</td>
<td>94%</td>
<td>91%</td>
</tr>
<tr>
<td>Risks and Risk management</td>
<td>89%</td>
<td>92%</td>
<td>83%</td>
<td>88%</td>
</tr>
<tr>
<td>Structuring project documents</td>
<td>86%</td>
<td>92%</td>
<td>89%</td>
<td>89%</td>
</tr>
<tr>
<td>Role of FMU</td>
<td>89%</td>
<td>97%</td>
<td>86%</td>
<td>91%</td>
</tr>
<tr>
<td>Technical Assistance from USAID</td>
<td>81%</td>
<td>83%</td>
<td>81%</td>
<td>81%</td>
</tr>
</tbody>
</table>

3) General

<table>
<thead>
<tr>
<th>Did the seminar meet expectations?</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements &amp; requirements</td>
<td>1) More case studies</td>
</tr>
<tr>
<td></td>
<td>2) More details and discussions on EE financial analysis modules</td>
</tr>
<tr>
<td></td>
<td>3) Analysis of risk with case studies</td>
</tr>
</tbody>
</table>

4) Overall rating of course by participants:

- Excellent (100%) - 56%
- Very good (75%) - 44%
- Good (50%) - 0%
- Poor (25%) - 0%
Presentation 1: Introduction to SGF

Introduction to the Sustainable Guarantee Facility - Sri Lanka

M S Jayalath
Sr. Energy Consultant
Nexant SARI/Energy
May 3, 2006

Need for Energy Efficiency

- Worldwide energy costs are increasing at alarming rates.
- Cost of electricity generation is an issue for CEB as a result.
- Production costs have increased due to fuel price hikes.
- However, energy costs to industry can be reduced by 25-30% from cost-effective energy saving measures.
- Potential for energy saving investments in industry & commercial sector is estimated to be around Rs. 6 Bil.
- Industry has not fully benefited from concessionary and other financing mechanisms used, due to inherent problems associated with them.
- Need to overcome these weaknesses in various funding mechanisms used, for the country to benefit for EE initiatives.
Activities Leading

- Issues related EE project funding was studied under USAID funded SARI/Energy project - 2003
- A Guarantee Facility to overcome barriers for financing was developed by USAID at the request of GOSL & accepted by Ministry of P&E: Dec/Jan 2004.
- Ministry of P&E directed ECF to fully develop the concept and invest funds: Jan 2004
- Further technical assistance from USAID to develop the concept was provided to ECF: Feb 04.
- Loan Operating guidelines were established: May 2004
- ECF receives GOSL approve for implementation: Mar/Apr 2005
- Guarantee Facility launched: Jun 30, 2005
- USAID completes technical assistance for five pilot projects leading guarantee awards: May 2006

Review of Worldwide Practices

- Loan Guarantee Mechanism – Hungary & China
- Conditional Loans as a vehicle to support EE activities – Republic of Georgia, India
- Utility as a main borrower – Croatia
- “Design-build” mechanism – Mexico
- Interest rate buydown grants – Poland
- Direct loan structures
- DCA loan guarantee mechanism – Bulgaria
- Concessionary funding - Sri Lanka (Efriends/pf correction)
- Loan guarantee mechanism for SMI – Central Bank of SL.
Purpose of the Facility

- Increase commercial funding for energy efficiency activities.
- Create a sustainable mechanism for Energy Efficiency investments.
- Overcome barriers for funding such as issues related collateral & high interest rates for end-user/borrowers
- Assist thinly capitalized ESCO/Developers to invest in EE projects
- Leverage resources to the greatest extent possible by offering repayment guarantees to banks lending for EE projects.
- Operate as a "reserve fund".
- Establish transparent/user-friendly operating mechanisms to facilitate/increase financing for energy efficiency projects.

Stakeholder Participation

- Task leader & Facility Management
  - Energy Conservation Fund
- Participating Financial Institution:
  - National Development Bank
  - DFCC
  - Sampath Bank
  - Hatton National Bank
  - Seylan Bank
  - Commercial Bank
  - Bank of Ceylon
- Energy Service providers
- End-users as borrowers
- Non-participating stakeholders involved in the concept development stage: Treasury, Central Bank, Consultants
**Resulting Features of “Sustainable” Guarantee Facility**

- Provides repayment guarantee to PFI's to overcome barriers of EE project financing – issues related to collateral and high cost of funding.
- Guarantee is limited to 75% of the total loan amount, covering both technical and commercial risks of loan.
- A Reserve Fund of Rs. 50 Mil has been created by the ECF.
- With an estimated loan loss reserve of 15%, SGF will facilitate an investment of Rs. 400 mil from Rs. 50 mil initial deposit.
- Maximum guarantee amount per project is set at Rs.10 million.
- SGF will guarantee the project payback period guaranteed by the developer plus 1-year, up to a max of six years.
- Interest rates offered by PFI's is expected to be reduced by at least 2% from the current lending rates.
- Annual Guarantee Premium of 0.5% of the amount guaranteed will be charged by the facility.
- Credit standards for borrowers specified.

---

**Guarantee Application Process**

1. PFI submits Application for Guarantee to ECF after reviewing proposal submitted by borrower.

2. With the application PFI submits a Certificate of Declaration: Applicant's bank certifies that has performed reasonable due diligence in verifying the authenticity of the information provided in its Application for Guarantee.

3. ECF issues a Certificate of Guarantee to the bank based on approval of the Application and receipt of the following information:
   - Copy of loan documentation between the bank and the borrower.
   - Contract between ESCO and borrower (end-user).
   - Copy of borrower's Certificate of Insurance evidencing property and casualty insurance in force.
   - Invoices that evidence equipment and services provided for the project.

4. Yearly reports signed by both ESCO and borrower verifying status of the project.
Operating Mechanism

1. Reserve Fund
2. Sustainable Guarantee Facility (ECF)
   - Certification of service providers
   - Seek loan guarantee
3. Participating Financial Institution (PFI)
   - Loan application
   - Release of funds for services at the request of borrower

End-User/Borrower
- Energy Saving provided under a performance contract

Eligible Projects

Facility will support replicable projects by reducing the costs and perceived risks:
- Projects that demonstrate the economic and productivity advantages of energy efficiency investment
- Projects that have a high probability of replication in the future
- Projects that have a clear pay-back timeframe
- Project borrowers that are financially capable of loan repayment
- Projects using technology that is proven in terms of its feasibility and effectiveness
- Projects developed by developers (ESCOs) with the technical and managerial capacity to successfully complete and manage the project
Loan Default Claim Process

- Loan Default is defined as borrower’s failure to make 3 consecutive monthly principal and interest payments.
- PFI may submit a Claim to the SGF after the expiry of 1-month, but not later than 3-months from date Demand Notice served to the borrower.
- Prior to making a Claim to the SGF, the PFI must explore the possibility of rescheduling the loan.
- PFI must take prompt action for the recovery of any overdue amounts, with any recoveries shared on a proportional basis between the SGF and PFI.

Facility Management Unit - Key Tasks

- Review guarantee application and project proposals
- Issue guarantees for acceptable projects
- Monitor progress of guaranteed projects
- Identify short-term investments for SGF
- Seek donor funding to strengthen/enhance SGF capacity
- Certification of Energy Service Provider
- Capacity building/training of service providers
- Publicity & awareness
**PFIs - Key Tasks**

- Review project proposals for funding & analysis of borrowers credit standards
  1. A favorable Letter of Reference from their bank & a clean Credit Report (CRUB)
  2. A positive operating cash flow for the latest year.
  3. A positive net income over the latest two years.
  4. A debt-service-coverage-ratio of 1.25.
- Apply for loan guarantee from SGF
- Payments to ESCO on behalf of end-user
- Recover loan installments & SGF levy from end-user
- Issue letter of demand in case of default
- Request payment from SGF for default loan
- Initiate recovery process
- Share recovered amounts with the SGF
Service Providers – Key Tasks

- Build capacity to undertake EE projects on performance guarantees
- Seek certification from ECF
- Identify end-users for projects
- Introduce ESCO concept to clients
- Preparation of investment-grade project proposals.
- Install equipment
- Monitor & verify savings using monitoring/verification protocols
- Maintenance agreement for services after pay-back period
- End-user Capacity building & training.
- Monitoring & reporting of saving a regular intervals.

SGF & Other Loan Facilities

<table>
<thead>
<tr>
<th>Loan Facility</th>
<th>Features</th>
<th>Benefits from SGF</th>
</tr>
</thead>
<tbody>
<tr>
<td>RERED</td>
<td>US$ 10 mil Interest: AWDR+X% (10.8% approx)</td>
<td>1) Collateral Substitute 2) Lower Interest</td>
</tr>
<tr>
<td>EFriends 2</td>
<td>Rs. 50 mil, limited 70% Interest: 6.5% 10 year repayment</td>
<td>1) Collateral substitute</td>
</tr>
<tr>
<td>Commercial</td>
<td>Interest rate: 14-16%</td>
<td>1) Collateral substitute 2) Lower interest</td>
</tr>
</tbody>
</table>
### Contact Details of PFIs for SGF

<table>
<thead>
<tr>
<th>PFI</th>
<th>Name &amp; Designation of Contact Person</th>
<th>Address</th>
<th>Tele/fax and Email</th>
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</thead>
<tbody>
<tr>
<td>HNB</td>
<td>Mr. I H A Wickramasinghe, Chief Manager, Project finance</td>
<td>HNB, Project Division No. 479, T.B. Jaya Mawatha, Colombo 10</td>
<td>2661730/2661718  ind ajin@hnb lk</td>
</tr>
<tr>
<td>Sampath Bank</td>
<td>Ms Nimal Abeyratne, Manager, Development Banking</td>
<td>No. 110, Sir James Peiris Mawatha, Colombo 02</td>
<td>2300260/4730630</td>
</tr>
<tr>
<td>Seylan Bank</td>
<td>Mr. Siriil Amarasinghe, Chief Manager, Development Finance Credit</td>
<td>Ceylinco Seylan Tower, No. 90, Galle Road, Colombo 03</td>
<td>4701438/2452549  sirilala@seylan lk</td>
</tr>
<tr>
<td>Bank of Ceylon</td>
<td>Mr. K K D Karunarathne, Assistant General Manager – Development Banking</td>
<td>Bank of Ceylon Tower, Colombo 1</td>
<td>2394592  077754311</td>
</tr>
<tr>
<td>NDB Bank</td>
<td>Ms. Chathura Kulasinghe, Manager – SME Banking</td>
<td>40, Nawam Mawatha, Colombo 02</td>
<td>2448448/2341048  chathura.kulasinghe@ndb lk com</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>Mr. Gamini Jayadewa, Senior Manager</td>
<td>21, Bristol Street, F.O. Box 856, Colombo 01</td>
<td>2384395/2459213</td>
</tr>
<tr>
<td>DFCC Bank</td>
<td>Mr. H A Anyaratne, Sr. Vice President</td>
<td>DFCC Bank 72/5, Galle Road, Colombo 3</td>
<td>2442442</td>
</tr>
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</table>

### Contact Details of FMU for SGF

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation of Contact Person</th>
<th>Tele/fax and Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Harsha Wickramasinghe</td>
<td>CEO/General Manager</td>
<td>Tele: 2677445  Fax: 2682534  <a href="mailto:harsha@energy.gov">harsha@energy.gov</a> lk</td>
</tr>
<tr>
<td>Mr. M M R Padmasiri</td>
<td>Director Energy Management</td>
<td>Tele: 2677445  Fax: 2682534  <a href="mailto:ranjith@energy.gov">ranjith@energy.gov</a> lk</td>
</tr>
<tr>
<td>Mr. Wimal Nadeera</td>
<td>Program Manager Energy Management</td>
<td>Tele: 277445</td>
</tr>
</tbody>
</table>
Presentation 2: Sri Lanka Sustainable Guarantee Facility

The Sustainable Guarantee Fund

Supported by USAID SARI/Energy

Exhibit E
Loan Guarantee Award Ceremony

South Asia Trends: Energy is Import Dependent, Driven by Petroleum

Import as % commercial energy

Sri Lanka


Source: ENERGY SECURITY FOR SOUTH ASIA - SRI LANKA, Prof. Dr. Jayantha Wijeyatunga

Implementation of Sustainable Guarantee Facility, Sri Lanka
May 2006

EE - 13
Determined the Optimal Structure for Sri Lanka: Comparison to other ESCO Funding Mechanisms

<table>
<thead>
<tr>
<th>Facility</th>
<th>Country</th>
<th>Features</th>
<th>Funder</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Guarantee Facility</td>
<td>Hungary</td>
<td>Transaction guarantee, Portfolio guarantee for small loans</td>
<td>WB/GEF GRANT $ 5.5 M + BCC Contribution of $4.5 M in reserve</td>
<td>Other agencies use guarantees: Export-Import Bank of US, Hermes - Germany, Coface - France</td>
</tr>
<tr>
<td>Loan Guarantee Facility</td>
<td>China</td>
<td>Transaction guarantee, Guaranting of loan loss reserves</td>
<td>GEF contribution to cover first losses</td>
<td>Reflects as a 100% guarantee</td>
</tr>
<tr>
<td>Conditional Loan Facility</td>
<td>Georgia*</td>
<td>For thinly capitalized service providers, Operate through escrow accounts</td>
<td>US Export-Import Bank</td>
<td></td>
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<tr>
<td>Conditional Loan Facility</td>
<td>India</td>
<td>Longer term and lower interest</td>
<td>USAID-conditional grant: $ 182,000</td>
<td>SELCO India solar/home systems</td>
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<tr>
<td>A Utility as a Borrower</td>
<td>Colombia</td>
<td>Loans to utility, Utility pays for ESCO services, Customer pays back from utility tariffs</td>
<td>No external funding</td>
<td>Utility provide project development assistance</td>
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<td>Interest rate buy downgrant</td>
<td>Poland</td>
<td>Subsidized interest, National Fund for net interest buy down</td>
<td>National Fund of Poland</td>
<td></td>
</tr>
<tr>
<td>Direct Loan Structures</td>
<td>Sri Lanka</td>
<td>Longer repayment, Subsidized interest</td>
<td>JIBC fund</td>
<td>30% equity + collateral req, Limited period</td>
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<tr>
<td>Principal guarantee</td>
<td>Bulgaria</td>
<td>50% principal guarantee</td>
<td>ECA $ 425,000</td>
<td>Mobilized $6,350,000</td>
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<tr>
<td>Sustainable Guarantee Facility</td>
<td>Sri Lanka</td>
<td>75% principal + interest guarantee</td>
<td>USAID Rs. 30 M</td>
<td>ECGC restructure Rs. 400 M</td>
</tr>
</tbody>
</table>

USAID South Asia Regional Initiative for Energy (SARI/Energy)

SARI/E Participating Countries:

**SARI/E Objective:**
- PROMOTE ENERGY SECURITY

**SARI/E Activity Areas:**
1. Access to clean energy - through efficiency, new, and renewable sources
2. Cross border trade and investment - through energy marketplace development
Other SARI/E EE Activities

Launching ESCO’s & Projects:
- Sustainable Guarantee Fund launched in Sri Lanka
- ESCO started in Nepal

Regional Activities:
- Regional Association for EE Standards
- Review of Appliance Testing Capabilities in South Asia
- Roadmap for Harmonization of Energy Efficiency Standards in South Asia
- Opportunities for Regional Harmonization of Appliance Standards & Labeling Program

On Establishing ESCO’s:
- Performance Monitoring Verification Protocols: Sri Lanka, Nepal and Bangladesh
- Model ESCO Performance Contracts: Sri Lanka, Nepal and Bangladesh
- Concept for Financing of Industrial Energy Efficiency/ Conservation Projects: Sri Lanka, Nepal and Bangladesh

On Standards & Labeling:
- Energy Efficiency Standards and Labeling for Appliances in Nepal, Bhutan and Bangladesh
- Lessons Learned from and Recommendations for Sri Lanka’s Ballast Labeling Program
- Energy Efficiency Standards & Labeling Institutional Structure: Bangladesh

SOUTH ASIA REGIONAL INITIATIVE FOR ENERGY
SARI/Energy

For more information:
www.sari-energy.org

Program Manager: R. McGuckin, mcguckin@usaid.gov
Deputy Program Manager: S Singh, ssingh@usaid.gov
Program Administration: M Thomas, methomas@usaid.gov

TEL: 24198000, FAX: 24198612
American Embassy, Shantipath, Charikypurli
New Delhi 11021
PRESENTATION 3: SGF PILOT PROJECTS

SOUTH ASIA REGIONAL INITIATIVE FOR ENERGY
COOPERATION AND DEVELOPMENT

Sustainable Guarantee Facility

Pilot Projects

M S Jayalath
Sr. Energy Consultant
Nexant SARI/Energy
May 3, 2006

Developing Pilot Projects

- Technical assistance was provided by USAID under SARI/Energy Project
- Purpose was to build capacity of key stakeholders to implement the SGF
- Details of training/capacity building provided:
  - ESCOs and project developers in developing bankable projects
  - PFIs in reviewing and approving EE investments
  - ECF in reviewing and awarding guarantees for projects developed by certified service providers
### Pilot Project 1

<table>
<thead>
<tr>
<th>Developer</th>
<th>Access Energy Solutions (Pvt) Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client/Type</td>
<td>Sampath Centre/Commercial Building</td>
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<tr>
<td>EE Measures</td>
<td>A/C improvements &amp; Load Management</td>
</tr>
<tr>
<td>Investment</td>
<td>Rs. 25,114,005</td>
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<tr>
<td>Annual Saving</td>
<td>Rs. 11,400,364</td>
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<tr>
<td>Simple Payback</td>
<td>2.20 Years</td>
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<tr>
<td>IRR</td>
<td>16%</td>
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<td>NPV</td>
<td>823,980</td>
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<tr>
<td>ESCO model</td>
<td>Shared Saving</td>
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<tr>
<td>Financing Institution</td>
<td>Hatton National Bank</td>
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<tr>
<td>Financing structure</td>
<td>RERED+SGF</td>
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<tr>
<td>Status</td>
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### Pilot Project 2

<table>
<thead>
<tr>
<th>Developer</th>
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<tr>
<td>Client/Type</td>
<td>Jinadasa Brothers (Pvt) Ltd/Apparel Industry</td>
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<td>EE Measures</td>
<td>PF &amp; Lighting improvements, pump replacement</td>
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<tr>
<td>Investment</td>
<td>Rs. 761,282</td>
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<tr>
<td>Annual Saving</td>
<td>Rs. 271,254</td>
</tr>
<tr>
<td>Simple Payback</td>
<td>2.81 Years</td>
</tr>
<tr>
<td>IRR</td>
<td>31%</td>
</tr>
<tr>
<td>NPV</td>
<td>Rs. 379,730</td>
</tr>
<tr>
<td>ESCO model</td>
<td>Guaranteed Saving</td>
</tr>
<tr>
<td>Financing Institution</td>
<td>Sampath Bank</td>
</tr>
<tr>
<td>Financing structure</td>
<td>EFriends 2 + SGF</td>
</tr>
<tr>
<td>Status</td>
<td>Guarantee approved</td>
</tr>
</tbody>
</table>
### Pilot Project 3

<table>
<thead>
<tr>
<th>Developer</th>
<th>ISB Services Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client/Type</td>
<td>Samtessi Brush Manufacturers (Pvt) Ltd</td>
</tr>
<tr>
<td>EE Measures</td>
<td>PF improvement</td>
</tr>
<tr>
<td>Investment</td>
<td>Rs. 486,386</td>
</tr>
<tr>
<td>Annual Saving</td>
<td>Rs. 425,143</td>
</tr>
<tr>
<td>Simple Payback</td>
<td>1.14 Years</td>
</tr>
<tr>
<td>IRR</td>
<td>90%</td>
</tr>
<tr>
<td>NPV</td>
<td>Rs. 1,301,930</td>
</tr>
<tr>
<td>ESCO model</td>
<td>Guaranteed Saving + Excess Sharing</td>
</tr>
<tr>
<td>Financing Institution</td>
<td>Sampath Bank</td>
</tr>
<tr>
<td>Financing structure</td>
<td>EFriends 2 + SGF</td>
</tr>
<tr>
<td>Status</td>
<td>Guarantee approved</td>
</tr>
</tbody>
</table>

### Pilot Project 4

<table>
<thead>
<tr>
<th>Developer</th>
<th>Professional Met Consultancy Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client/Type</td>
<td>Mnaragala Paper Mills (Pvt) Ltd</td>
</tr>
<tr>
<td>EE Measures</td>
<td>Boiler Fuel Switching</td>
</tr>
<tr>
<td>Investment</td>
<td>Rs. 2,194,500</td>
</tr>
<tr>
<td>Annual Saving</td>
<td>Rs. 11,103,880</td>
</tr>
<tr>
<td>Simple Payback</td>
<td>3 months</td>
</tr>
<tr>
<td>IRR</td>
<td>360%</td>
</tr>
<tr>
<td>NPV</td>
<td>Rs. 26,335,840</td>
</tr>
<tr>
<td>ESCO model</td>
<td>Guaranteed Saving</td>
</tr>
<tr>
<td>Financing Institution</td>
<td>DFCC Bank</td>
</tr>
<tr>
<td>Financing structure</td>
<td>Commercial loan/RERED + SGF (PFI review)</td>
</tr>
<tr>
<td>Status</td>
<td>Guarantee to be approved</td>
</tr>
</tbody>
</table>
Pilot Project 5

<table>
<thead>
<tr>
<th>Developer</th>
<th>Metropolitan Communications (Pvt) Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client/Type</td>
<td>Lalan Gloves (Pvt) Ltd/Rubber Procession Industry</td>
</tr>
<tr>
<td>EE Measures</td>
<td>PF improvement</td>
</tr>
<tr>
<td>Investment</td>
<td>Rs. 987,000</td>
</tr>
<tr>
<td>Annual Saving</td>
<td>Rs. 905,143</td>
</tr>
<tr>
<td>Simple Payback</td>
<td>1.09 Years</td>
</tr>
<tr>
<td>IRR</td>
<td>94%</td>
</tr>
<tr>
<td>NPV</td>
<td>Rs. 2,620,390</td>
</tr>
<tr>
<td>ESCO model</td>
<td>Guaranteed Saving</td>
</tr>
<tr>
<td>Financing Institution</td>
<td>Sampath bank</td>
</tr>
<tr>
<td>Financing structure</td>
<td>EFriends 2 + SGF (Client review)</td>
</tr>
<tr>
<td>Status</td>
<td>Guarantee to be approved</td>
</tr>
</tbody>
</table>

Next Step

- ECF plans commission at least 50 large projects during 2006.
- Awareness is still a major issue and should be addressed
- Final project report will include
  - Recommendations for improvements
  - Facility awareness & marketing program
  - Program review methodology and timeframe
Acknowledgements

On Behalf of the USAID – SARI/Energy Technical Assistance Team
I wish thank for the following for their valuable contributions for the successful completion of this task:
1) Chairman, GM and others at ECF
2) Attorney General’s Department
3) Participating Banks – HNB, Sampath Bank, DFCC Bank, NDB Bank, Seylan Bank, Bank of Ceylon and Commercial Bank
4) Developers/ESCOs – LTL Energy (Pvt) Ltd, ISB Services Ltd, Access Energy Solutions (Pvt) Ltd, ProfMet and Metropolitan
5) Senior officials at the Treasury and Central Bank
6) USAID – Mission Director, Regional Program Manager, Director, Program coordinator – Upali Daranagama and Richard Smith - Nexant in Delhi
7) Dr. Ananda Mallawathanthri – (former USAID) UNDP
8) End-users
9) Members of the team – Ravindra Pitigalage and Chandana Deshapriya

END

Thank you

A Nexant SARI/Energy presentation
Guarantee Award Certificates

Borrower - Access Energy Solutions Pvt. Ltd.

PFI - Hatton National Bank
Borrower - Jinadasa Bros. (Garments) Ltd.

PFI - Smapath Bank
Borrower - Samtessi Brush Manufactures Pvt. Ltd.

PFI - Smapth Bank
Guarantee certificates

Ministry of Power and Energy/Energy Conservation Fund
Sustainable Guarantee Facility

LOAN GUARANTEE CERTIFICATE

HATTON NATIONAL BANK

(Name of Bank)

ACCESS ENERGY SOLUTIONS (PVT) LTD

(Name of Borrower)

SEVEN MILLION AND FIVE HUNDRED THOUSAND ONLY

in the amount of Rupees

7,500,000=

(Rs-

for an energy efficiency improvement project, subject to the terms and conditions set forth and contained in the Operating Instructions of SGF and declarations/undertakings made in the guarantee application. The extent of the guarantee is limited to Seventy Five percent of the loan amount approved, subject to a maximum liability of Rs. 10.0 million.

For and on behalf of the Energy Conservation Fund

General Manager/CEO

Energy Conservation Fund

001 - May 3, 2006

Implementation of Sustainable Guarantee Facility, Sri Lanka
May 2006
Guarantee certificates

Ministry of Power and Energy/Energy Conservation Fund
Sustainable Guarantee Facility

LOAN GUARANTEE CERTIFICATE

SAMPATH BANK

(Look of Bank)

LTL ENERGY (PVT) LTD

(Look of Borrower)

THREE HUNDRED AND NINETY NINE THOUSAND, SIX HUNDRED
AND SIXTY EIGHT ONLY

399,668.00

for an energy efficiency improvement project, subject to the terms and conditions set forth and contained
in the Operating Instructions of SGF and declarations/undertakings made in the guarantee application.
The extent of the guarantee is limited to Seventy Five percent of the loan amount approved, subject to a
maximum liability of Rs. 10.0 million.

For and on behalf of the Energy Conservation Fund

General Manager/CEO
Energy Conservation Fund

002 - May 3, 2006

Implementation of Sustainable Guarantee Facility, Sri Lanka
May 2006
EE - 26
Guarantee certificates

Ministry of Power and Energy/Energy Conservation Fund
Sustainable Guarantee Facility

LOAN GUARANTEE CERTIFICATE

SAMPATH BANK

(Name of Bank)

ISB SERVICES LTD

(Name of Borrower)

TWO HUNDRED AND FIFTY FIVE THOUSAND, THREE HUNDRED
AND FIFTY THREE ONLY

(Rs- 255,353=)

for an energy efficiency improvement project, subject to the terms and conditions set forth and contained in the Operating Instructions of SGF and declarations/undertakings made in the guarantee application. The extent of the guarantee is limited to Seventy Five percent of the loan amount approved, subject to a maximum liability of Rs. 10.0 million.

For and on behalf of the Energy Conservation Fund

General Manager/ CEO
Energy Conservation Fund

003 - May 3, 2006
ESCO certificates

Ministry of Power & Energy/Energy Conservation Fund
Sustainable Guarantee Facility

hereby confers upon

ACCESS ENERGY SOLUTIONS (PVT) LTD

this certificate officially recognizing successful development of
an Energy Efficiency Project
for the Sustainable Guarantee Facility.

3 day of May, 2006

Chairman, ECF

Chief Executive Officer, SGF
Ministry of Power & Energy/Energy Conservation Fund

Sustainable Guarantee Facility

hereby confers upon

ISB SERVICES LTD

this certificate officially recognizing successful development of
an Energy Efficiency Project
for the Sustainable Guarantee Facility.

3 day of May, 2006

Chairman, ECF

Chief Executive Officer, SGF
ESCO certificates

Ministry of Power & Energy/Energy Conservation Fund
Sustainable Guarantee Facility

hereby confers upon

*LTL ENERGY (PVT) LTD*

this certificate officially recognizing successful development of
an Energy Efficiency Project
for the Sustainable Guarantee Facility.

_3 day of May, 2006_

Chairman, ECF

Chief Executive Officer, SGF
Ministry of Power & Energy/Energy Conservation Fund
Sustainable Guarantee Facility

hereby officially recognize

JINADASA BROS. (GARMENTS) LTD

as a successful developer of an Energy Efficiency Project
for the Sustainable Guarantee Facility.

3rd day of May, 2006

Chairman, ECF
Chief Executive Officer, SGF
Ministry of Power & Energy/Energy Conservation Fund
Sustainable Guarantee Facility

hereby officially recognize

**SAMPATH CENTRE**

as a successful developer of an Energy Efficiency Project

for the Sustainable Guarantee Facility.

3rd day of **May**, 2006

Chairman, ECF

Chief Executive Officer, SGF
Ministry of Power & Energy/Energy Conservation Fund
Sustainable Guarantee Facility

hereby officially recognize

SAMTESSI BRUSH MANUFACTURERS (PVT) LTD

as a successful developer of an Energy Efficiency Project
for the Sustainable Guarantee Facility.

3rd day of May, 2006

Chairman, ECF

Chief Executive Officer, SGF
Exhibit F

Pilot Projects

Project 1: Access Energy Solutions (Pvt.) Ltd.

1) Brief description of Project:

   a) Developer : Access Energy Solutions (Pvt) Ltd – Mr. Roshal Perera
   b) Client/end-user : Sampath Center – Major R M Punchibanda
   c) Energy Efficiency Measures : A/C improvements, load management and peak clipping
   d) Investment : Rs. 25,114,005
   e) Annual Saving : Rs. 11,400,354
   f) Simple payback : 2.20 years
   g) IRR : 16%
   h) NPV : Rs. 823,980
   i) Project mechanism : Shared saving –
      1 to 47 months 80/20 (developer/client) basis
      48 to 60 months 20/80 (developer/client) basis
      After 60 months 0/100 (developer/client) basis
   j) Load facility selected : RERED
   k) Loan amount : Rs. 10 million
   l) Guarantee amount : Rs. 7.5 million
   m) PFI : Hatton National Bank

2) Present status:

   a) Project development stage : Fully completed (Project proposal, M&V procedure, performance contact and financial analysis)
   b) Proposal review by PFI : Completed & proposal accepted by PFI
   c) Guarantee approval : Granted for Rs. 7.5 million
   d) Load approval process : Underway

3) Recommended follow up action:

   a) Signing of performance contract between Developer and client should be closely monitoring
   b) Formal request from PFI for guarantee should be obtained after conclusion of loan negotiations
   c) Monthly project progress monitoring is essential during the first 6 months

Detailed proposal forwarded separately
Project 2: LTL Energy (Pvt.) Ltd

1) Brief description of Project:

a) Developer : LTL Energy (Pvt) Ltd
   – Mr. Dammika Nanayakkara
b) Client/end-user : Jinadasa Bros. (Garments) Ltd
c) Energy Efficiency Measures : PF and Lighting improvements
d) Investment : Rs. 761,282
e) Annual Saving : Rs. 271,254
f) Simple payback : 2.81 years
g) IRR : 31%
h) NPV : Rs. 379,730
i) Project mechanism : Guaranteed saving
j) Load facility selected : Efriends 2
k) Loan amount : Rs. 532,890
l) Guarantee amount : Rs. 399,668
m) PFI : Sampath Bank (HO/Borellesgamuwa)

2) Present status:

a) Project development stage : Fully completed (Project proposal, M&V procedure, performance contact and financial analysis)
b) Proposal review by PFI : Completed & proposal accepted by PFI
c) Guarantee approval : Granted for Rs. 399,668
d) Load approval process : Underway

3) Recommended follow up action:

a) Formal request from PFI for guarantee should be obtained after conclusion of loan negotiations.
b) Monthly project progress monitoring is essential during the first 6 months.

Detailed proposal forwarded separately
Pilot Project 3: ISB Services Ltd

1) Brief description of Project:
   a) Developer : ISB Services Limited – Mr. Gamini Senanayake
   b) Client/end-user : Samtessi Brush Manufacturers’ (Pvt) Ltd
   c) Energy Efficiency Measures : Power Factor Improvement
   d) Investment : Rs. 486,386
   e) Annual Saving : Rs. 425,143
   f) Simple payback : 1.14 years
   g) IRR : 90%
   h) NPV : Rs. 1,301,930
   i) Project mechanism : Guaranteed saving + Excess sharing
   j) Load facility selected : EFriends 2
   k) Loan amount : Rs. 340,470
   l) Guarantee amount : Rs. 255,353
   m) PFI : Sampath Bank (HO/Kurunegala)

2) Present status:
   a) Project development stage : Fully completed (Project proposal, M&V procedure, performance contact and financial analysis)
   b) Proposal review by PFI : Completed & proposal accepted by PFI
   c) Guarantee approval : Granted for Rs. 255,353
   d) Load approval process : Underway

3) Recommended follow up action:
   a) Formal request from PFI for guarantee should be obtained after conclusion of loan negotiations
   b) Monthly project progress monitoring is essential during the first 6 months

Detailed proposal forwarded separately
Pilot Project 4: Metropolitan Communications Ltd

1) Brief description of Project:

   a) Developer : Metropolitan Communication (Pvt) Ltd
   
   - Mr. Charith Molligoda
   
   b) Client/end-user : Lalan Gloves (Pvt) Ltd
   
   c) Energy Efficiency Measures : Power Factor Improvement
   
   d) Investment : Rs. 987,000
   
   e) Annual Saving : Rs. 905,143
   
   f) Simple payback : 1.09 years
   
   g) IRR : 94%
   
   h) NPV : Rs. 2,820,390
   
   i) Project mechanism : Guaranteed saving
   
   j) Load facility selected : Efriends 2
   
   k) Loan amount : Rs. 690,900
   
   l) Guarantee amount : Rs. 518,175
   
   m) PFI : Commercial Bank (Head Office)

2) Present status:

   a) Project development stage : Fully completed (Project proposal, M&V procedure, performance contact and financial analysis)
   
   b) Proposal review by PFI : Not commenced. Client yet to decide on funding
   
   c) Guarantee approval : No request
   
   d) Load approval process : Not commenced

3) Recommended follow up action:

   a) ECF & developer should advise the client on funding mechanisms
   
   b) Developer should establish baseline consumption after renovations
   
   c) ECF should monitor progress during the initial period.

Detailed proposal forwarded separately
Pilot Project 5: Professional Met Consultancy Services

1) Brief description of Project:

a) Developer : Professional Met Consultancy Services Ltd
   - Mr. Justin
b) Client/end-user : Monaragala Paper Mills (Pvt) Ltd
c) Energy Efficiency Measures : Fuel Switching
d) Investment : Rs. 2,194,500
e) Annual Saving : Rs. 11,103,880
f) Simple payback : 3 months
g) IRR : 360%
h) NPV : 26,335,840
i) Project mechanism : Guaranteed saving
j) Load facility selected : RERED / Commercial loan
k) Loan amount : Rs. 1,536,150
l) Guarantee amount : Rs. 1,152,112
m) PFI : DFCC Bank (Head Office)

2) Present status:

a) Project development stage : Fully completed (Project proposal, M&V procedure, performance contact and financial analysis)
b) Proposal review by PFI : Underway
c) Guarantee approval : Underway
d) Load approval process : Underway

3) Recommended follow up action:

a) PFI should expedite to look for customer’s credit worthiness to offer a commercial loan

Detailed proposal forwarded separately