



**STATE BANK OF PAKISTAN**  
**SME Finance Department**

No. SMEFD/REPP/1325/2010-566

April 3, 2010

Mr. Aatif Umar Khalil,  
Board of Investment,  
Ataturk Avenue,  
Sector G-5/1,  
Islamabad.

Dear Sir,

**Scheme for Financing Power Plants using Renewable Energy**

Please refer to your letter No. 9/47/2010-Misc dated February 17, 2010 on the captioned subject. 2.3/c

In this regard we have to advise that the Scheme for Financing Power Plants using Renewable Energy shall be available to foreign investors subject to compliance of relevant rules and regulations of the Government and its Agencies (including sponsors' equity to be brought in from abroad as foreign investment) and the terms and conditions of the said scheme.

Yours faithfully,

  
(Razia Sameem Huma)  
Deputy Director



STATE BANK OF PAKISTAN  
SME Finance Department

No. SMEFD/LTFE(PP)/X/2010 - 226

February 4, 2010

Chairman,  
Board of Investment,  
Atatürk Avenue,  
G-5/1,  
Islamabad.

*Review*  
*Agreed*  
*14 Jan*  
*19/2/10*

Dear Sir,

Scheme for Financing Power Plants using Renewable Energy

In view of the prevailing power crisis, as well as to eliminate dependence on imported source of fuel and thus to eliminate the associated price fluctuations, SBP has issued a scheme for financing Power Plants using Renewable Energy with a capacity of 10MW. The scheme is not only aimed to overcome the shortage of electricity but also to promote economic growth in the less developed areas which are naturally endowed with wind channels and river flows, reducing the costs associated with distribution.

The main features of the scheme are as follows:

- Power plants using renewable energy as fuel with a maximum capacity of 10MW will be eligible for availing finance subject to approval of the concerned government authorities.
- The mark up/service charges are linked to the Weighted Average rates on PIBs. The rates for disbursements made during FY2010 are 12.4% (for tenor upto 5 years) and 12.5% (from 5 to 10 years).
- Financing shall be available for a maximum period of 10 years. Disbursements against applications for availing finance under the scheme shall be considered up-to June 30, 2012.

Your assistance for promoting the scheme as well as guiding investors eligible under the scheme to avail refinance through commercial banks shall enable us to meet the mutual goal of reducing power shortage and enabling the country's economic growth.

The detailed scheme along with relevant annexures is available at our website and can be accessed through <http://www.sbp.org.pk/sme/d/circulars/2009/C19.htm>.

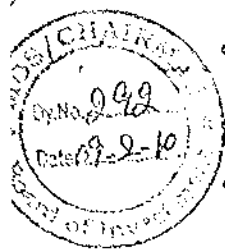
Yours faithfully,

*Cervan*

*Mubali*

*Mansoor H. Siddiqui*  
(Mansoor H. Siddiqui)  
Director

101-2-2010



## **SCHEME FOR FINANCING POWER PLANTS USING RENEWABLE ENERGY**

With a view to meet the growing electricity demand and to promote renewable energy projects in the country it has been decided to provide financing for establishment of new **Power Projects Using Renewable Energy with a capacity of up-to 10 MW**. Sponsors of power projects can avail financing facility through banks/DFIs for new imported and locally manufactured plant, machinery and equipment. Preference shall be given to projects being established in the less developed areas of the country.

### **2. Eligibility Criteria:**

- i) Financing shall be available to the prospective sponsors desirous of setting up of Power Projects with a capacity of up-to 10 MW, who have completed prescribed requirements of Alternative Energy Development Board (AEDB), the concerned regulatory authority and other relevant Government Department / Authority, in compliance with the prevalent Renewable Energy Policy of the Government of Pakistan.
- ii) Financing shall be available only for establishing new Power Plants of up-to 10 MW installed capacity using alternative / renewable energy sources (wind, hydel, biogas, biofuels, bagasse cogeneration, solar power and geothermal as fuel).
- iii) Financing shall be available for purchase of new imported and locally manufactured plant, machinery and equipment.
- iv) Financing shall be available for LCs established for import/purchase of new plant, machinery & equipment from the date of issuance of this circular and up-to June **30, 2012** only.
- v) Refinance may be provided up-to 100% of financing provided by banks/DFIs to the eligible borrowers for the import/ local purchase of plant, machinery & equipment subject to adherence of other rules & regulations.

### **3. Availability of Funds:**

- i) Financing under the Scheme shall be provided by the banks/DFIs on first come first served basis within the overall amount earmarked for the purpose. While adequate funds have been earmarked for the Scheme under reference the banks/DFIs shall, however, be required to approach SME Finance Department, State Bank of Pakistan, after their internal approval of financing to each project for confirming the availability of funds. State Bank will immediately respond to the concerned bank/DFI with a copy to the concerned office of the SBP BSC (Bank) from where it will avail refinance. In case banks/DFIs have not disbursed 1st installment / opened LC / made firm contract with down payment, the confirmation / approval of availability of funds from SBP should lapse within a period of three months.
- ii) SBP's prior confirmation will be given for the entire funding to a project under the Scheme.
- iii) In case of depreciation of PKR at the time of retirement of LC(s), SBP shall not consider the request(s) of bank(s)/DFI(s) to enhance the amount of funding of the project. Therefore, the risk of enhanced financing requirements would either be borne by the borrower or by the bank on same terms upon which refinance has been obtained.

iv) "Availability Period" for individual project; where funds are to be provided on staggered basis, banks/DFIs can disburse loan amounts during a maximum period of one year, from the date of first disbursement. Any undrawn portion from approved amount shall lapse at the end of the said period.

#### **4. Period of Financing and Grace Period:**

Financing under the Scheme shall be available for a maximum period of ten years including a maximum grace period of 2 years. The grace period will be over and above the Availability Period of one year. However, maximum period of financing shall not exceed the period of ten years (including grace and availability period), from the date of first disbursement. The banks / DFIs shall clearly mention the "availability period" and "grace period" in the repayment schedule to be submitted to the concerned office of SBP-BSC (Bank) at the time of availing refinance.

#### **5. Rates of Service Charges / Mark up:**

i) The rate of service charge at which SBP will provide refinance to the Banks/DFIs shall be determined on the basis of average of weighted average yields of last two auctions of 5 and 10 years PIBs.

ii) The service charges shall be announced for each fiscal year and shall remain valid for a period of one year from 1st July to 30th June.

iii) For the current fiscal year the service charges and rates for end users have been fixed as per the following:-

<b>Tenor</b>	<b>Rate of Refinance</b>	<b>Banks'/DFIs' Spread</b>	<b>End Users' Rate</b>
Up-to 5 years	9.90%	2.50%	12.40%
Over 5 years and up-to 10 years	9.50%	3.00%	12.50%

iv) The rate of service charges once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay on due dates as per repayment schedule. Similarly, in cases where the loan amount has not been disbursed in full during the validity of an applicable rate, the un-disbursed amount shall attract the new rate of finance/refinance applicable on the date of its disbursement by the Bank/DFI.

#### **6. Participants:**

Financing facilities under the Scheme shall be provided through all commercial banks and Development Finance Institutions (DFIs).

#### **7. Grant of Refinance:**

i) The State Bank shall provide refinance to each bank/DFI on service charge (mark-up) basis in terms of Section 17 (2) (d) read with section 22 of State Bank of Pakistan Act 1956.

ii) Refinance shall be allowed to the Banks/DFIs by the concerned office(s) of SBP BSC (Bank) on submission of documents as may be required by State Bank. The documents initially required are attached herewith.

## **8. Repayment of the loans:**

i) Principal amount of loans shall be repayable in equal quarterly / half yearly installments after prescribed grace period, if any. However, if a borrower will repay the loan amount or its installment, in part or in full, before the due date(s), the banks/DFIs shall be under obligation to repay the amount(s) so received within three working days to the concerned office of SBP-BSC (Bank) failing which fine for late adjustment of loan will be recovered from the concerned bank/DFI, at the rate specified by the State Bank.

ii) The refinance granted by SBP-BSC offices to the Banks/DFIs shall be recovered on the due dates as reported in the original repayment schedule from the account of the banks/DFIs maintained with the respective office of the SBP BSC (Bank). In case the borrowers fail to make repayment of the amount of installment as per the original repayment schedule, the bank/DFI will be entitled to charge normal rate of mark up on such overdue principal amount besides taking other actions to recover the same as are incidental to such defaults. In no case the liability of banks/DFIs to pay/repay to SBP BSC the principal amount of refinance, or mark up or any other charges or penalty thereon shall be dependent upon the recovery from the borrower nor shall such liability be affected by any default on the part of the borrower.

iii) Mark-up shall be paid on quarterly basis.

## **9. Other Terms & Conditions:-**

i) Financing under the Scheme shall be subject to compliance with all rules and regulations including Prudential Regulations for Corporate/ Commercial Banking.

ii) Banks/DFIs shall not take more than three months in evaluating an application for financing under the Scheme from the date of receipt of complete information from the borrower. Where the request is declined, the bank/DFI will explicitly apprise the reasons for rejecting the application to the prospective borrower.

iii) There will be no maximum limit for borrowing by the prospective sponsors under this Scheme. However, in case of larger financing requirements, i.e. over Rs 500 million, banks/DFIs are encouraged to provide finance under consortium arrangements.

iv) Financing banks/DFIs shall ensure fulfillment of requisite pre-disbursement formalities by the borrower through due diligence as per their own internal arrangements to avoid malpractices and mis-utilization of funds under the Scheme.

v) Besides applying due diligence process as per their lending policies, standard / appropriate procedures in power project financing, banks/DFIs may also impose any specific condition(s), considered appropriate by them in such type of transactions, while sanctioning loan under the Scheme to protect their interests.

vi) Moreover, banks/DFIs may also ensure that firm commitments for the portion of funding not to be financed by SBP (in the form equity, conventional bank finance etc.) are available for the project being financed by them under the Scheme, so that the project does not eventually suffer due to any funding gap. Firm equity commitment from the sponsors may be made in the form which is satisfactory for the financing bank/DFI. The State Bank would, however, not insist on fulfillment of this condition by a specified mode but would let the bank/DFI to satisfy itself in this regard.

vii) Captive power projects which have already availed financing facilities under LTFF Scheme shall not be eligible for financing under this Scheme.

viii) Fixed term loans which have been extended prior to the announcement of this Scheme shall not be eligible for refinance.

ix) Banks/DFIs shall consider financing based on the debt to equity requirements as prescribed in Prudential Regulations for Corporate/ Commercial Banking. The financing bank/DFI may, however, ask for higher contribution of equity from the borrowers keeping in view individual risk profile.

x) Refinance shall be provided on the basis of certification by the Internal Audit of financing bank/DFI with regard to confirmation that the loan is within the terms and conditions laid down in the Scheme. A copy of the said Internal Audit Certificate shall also be submitted to the concerned office of SBP BSC (Bank) at the time of availing the refinance facility.

xi) Financing under the Scheme shall be checked/verified by our Banking Inspection Department (BID) during inspection of the banks/DFIs to ensure that the same have been allowed as per the terms and conditions of the Scheme.

xii) Financing shall not be available for the purpose of acquisition of land, construction of building etc.

xiii) Financing shall be available to the extent of C&F Value/ex-factory/showroom price of the new imported or locally manufactured plant, machinery and equipments.

xiv) Advance payment to the extent of 20% of the C&F value/ex-factory /showroom price of imported or locally manufactured machinery can be made in terms of related underlying agreement by securing the bank's interest. In case of imported machinery, advance payment will be subject to compliance with the terms & conditions prescribed in FE Manual and instructions issued from time to time by our Exchange Policy Department in this regard.

xv) Second-hand machinery shall not be eligible under the scheme.

xvi) Disbursements by banks/DFIs should not be made to the borrower directly; instead payments shall be made to the manufacturers / suppliers of the machinery.

xvii) Where a bank/DFI considers the requests of their borrowers for rescheduling of loans granted under the Scheme, the principal amount of refinance shall only be rescheduled in a way that total tenor of refinancing under the scheme does not exceed maximum period of 10 years from the date of original disbursement made by the banks/DFIs. Further, the borrower shall be liable to make payment of mark-up at the rate applicable on the date of such rescheduling, or the original rate whichever is high.

xviii) The sponsors of the project shall be under obligation to ensure that the benefits of the concessionary finance earned through the scheme are passed on to the consumers in terms of competitive rates.

## **10. Fines:-**

i) In case of violation of the terms & conditions of the Scheme, the SBP shall reserve the right to recover the amount of refinance granted to the bank/DFI along-with fine at the rate of Paisa 60 per day per Rs 1000/- or part thereof.

ii) In case, a borrower will make early repayment(s) of the amount of loan/installment(s) and bank/DFI fails to repay the same to concerned office of SBP-BSC within three working as mentioned in clause 8(i) above, late adjustment fine will be charged from the concerned bank/DFI at the rate of Paisa 60 per day per Rs 1,000 or part thereof.