



CASE STUDY 15: SRI LANKA – POWER FUND FOR THE POOR

Barriers	High connection charges
Instrument	Energy access / customer finance
Application	Micro-loans to poor households funded from a project grant
Amount	US\$1.5 million

PROJECT BACKGROUND AND OBJECTIVES

The rate of household electrification in Sri Lanka stands at 82% with a government target of 88% by 2016. Many villages within the distribution remain unconnected due to the high cost of connections. The main barrier was the lack of finance for the poor population. The connection charges are prohibitively expensive even if the actual cost of electricity is not.

INSTRUMENTS USED

Initially a revolving fund was created with a US\$1.5 million grant from the Japan Fund for Poverty Reduction. The fund was used to fund micro-loans to poor households through local micro-finance institutions. Over the period 2004 – 2009 this enabled almost 15,000 households to gain access to electricity.

Building on this success the ADB provided a loan of US\$3.5 million to the government of Sri Lanka which was used, by the Ceylon Electricity Board (the national utility), to provide instalment credits to poor households. The credits were structured as follows:

- Credit tenor: two to three years, repaid monthly.
- Interest rate: 16% p.a. was the interest rate set for the microfinance institution.
- Down payment: 20% of installation costs, approximately SLR 1,200 - 1,400
- Qualifying criteria: Household income must be above SLR 6,000 - 7,000 per month.

INSTITUTIONAL ARRANGEMENTS

A micro finance institution was partnered to disburse the credits to provide local knowledge of household conditions which enabled the facility to be targeted at poor households.

OUTCOMES

Initially over 14,000 loans totalling US\$2 million were made with a recovery ratio of 95%. The target is for an additional 60,000 households (8% of poor households) to be provided with new electricity connections by 2016.