



CASE STUDY 7: INDIA – RENEWABLE ENERGY DEVELOPMENT AGENCY

Barriers	Lack of suitable financing for renewable projects
Instrument	Specialised financial intermediary for renewable energy
Application	Support to set-up and operations of intermediary
Amount	US\$26 million

PROJECT BACKGROUND AND OBJECTIVES

Indian Renewable Energy Development Agency (IREDA) is a Public Limited Government Company established in 1987, under the administrative control of Ministry of New and Renewable Energy (MNRE) to promote, develop and extend financial assistance for renewable energy and energy efficiency/conservation projects. The objectives of IREDA include:

- To give financial support to specific projects and schemes for generating electricity and / or energy through new and renewable sources and conserving energy through energy efficiency;
- To maintain its position as a leading organization to provide efficient and effective financing in renewable energy and energy efficiency / conservation projects;
- To increase IREDA's share in the renewable energy sector by way of innovative financing;
- Improvement in the efficiency of services provided to customers through continual improvement of systems, processes and resources; an
- To strive to be competitive institution through customer satisfaction.

A GEF project was carried out from 1993 to 2002 with the financing of US\$26 million. Among the project's objectives were to promote the commercialisation of renewable energy resources by strengthening IREDA's ability to promote and finance investments in renewable energy, and to create financing mechanisms for renewable energy. The project also included

institutional and capacity strengthening and marketing measures.

The project also raised awareness of renewable energy among private financial institutions, which then began to offer finance to renewables projects.

INSTRUMENTS USED

IREDA functions as a specialised financial intermediary by operating a revolving fund for promoting and developing RE projects. IREDA offers innovative financing schemes, such as project financing of up to 80% of project costs, equipment financing of up to 75% of equipment costs and other types of medium to long term debts (up to 12 years), with interest rates of 5 to 12%.

IREDA introduced initiatives to help overcome credit availability barriers in the rural market for solar PV systems. Initiatives included arrangements for leasing systems to households on a monthly payment basis, with maintenance and servicing also provided. Other approaches included providing loans for PV through existing micro-finance organisations.

INSTITUTIONAL ARRANGEMENTS

IREDA is a Public Limited Government Company under the administrative control of Ministry of New and Renewable Energy. IREDA receives its funds from loans from development agencies and IFIs, and from loan repayments from clients.

OUTCOMES

In 2011, IREDA's portfolio consists only of power generation projects; however, it is looking to fund new and emerging technologies like fuel cells and also manufacturing of solar panels.

IREDA had sanctions of Rs 3,126 crore last fiscal compared to Rs 1,824 crore in 2009-10. Disbursals rose from Rs 800 crore to Rs 1,223 crore in the same period. In 2011, IREDA is looking to increase its funds in anticipation of a 40% growth in disbursement from last year.

Further reading

IREDA website – click [here](#)

DNA, Ireda to raise \$300 million from Japan, 2009 – click [here](#)