

## Solar Trust Fund Conditions and Procedures for Community Solar Systems

### **General:**

- GAM-Solar Energy through its experience with the implementation of solar projects in more than 350 rural villages since 1998 is the initiator of a revolving GAM-Solar Trust Fund to finance social development projects on a micro-credit basis, whereby the beneficiaries are obliged to pay back the investment through affordable fees. The general objective is to achieve sustainable solar projects that can provide the basic needs of clean drinking water, food production through solar irrigation and electricity supplies including low-cost LED lights to rural communities, schools and clinics.
- On behalf of the investors the GAM-Solar Revolving Trust Fund has been created by GAM-Solar since early 2017. To date (December 2018) 12 solar projects have been realized with the Fund.
- 10% Interest charges are applied on the outstanding loan amount benefitting the Fund.
- GAM-Solar is responsible for consultancy (technical surveys and system design), procurement of the systems and contractor as the installer of the solar projects, including maintenance services to sustain the investments. GAM-Solar is responsible as operator and guarantor of the Solar Trust Fund, but will not financially benefit from the fund other than getting its margins from the installation works.
- GAM-Solar gives a standard warranty on the installation of the installed system components, whereby any necessary repairs will be carried out free of charge during the agreed Warranty period; after the expiration date any repair works needed on the newly installed system components are guaranteed by the GAM-Solar Trust Fund during the Loan duration period.
- In order to save funds for future system repairs to sustain their solar system, the community will be encouraged to continue with the monthly deposits of the collected fees in their savings account after full repayment of the Loan.
- Depending on their history of punctual servicing of their Loan Agreement, the Community will be given the option to apply for a new loan for expansion of their solar system, or for any other solar community projects such as solar electricity supplies, a skill centre, milling machine, etc.

On the attached page is a sample of a 3000 people village upgrading their existing solar pumping system with a €10,246.31 investment. Their contribution to the investment amounted to €1,600.- resulting in a 20-Months Repayment Plan of €8,646.31 at 10% interest charges financed by the Solar Trust Fund.

For 30 liters per person per day the villagers are paying D10 (€0.20) every month, which includes €0.03 per person per month for the Village Water Committee to collect the funds from the people. After the 20-months duration the investment is fully paid back, enabling the fund to do other projects.

## **Procedures & Conditions:**

1. *The Community requests for financial assistance to repair or upgrade their community water pumping or electrical system by writing a letter addressed to GAM-Solar Energy in Kotu, signed and sealed by the Village Development Committee and the Alkalo. The letter will describe the problem, e.g. the shortage of clean drinking water and the number of people depending on the water or electricity supplies.*
2. *GAM-Solar carries out a technical survey at an agreed cost that is refundable if the project materializes. Based on its findings GAM-Solar recommends the materials required for a new system or the repairs and/or upgrading of an existing system by issuing a detailed Proforma Invoice and estimated electricity and/or water production per day that can be expected from the new installation.*
3. *GAM-Solar issues the Proforma to the community (see Annex 1) along with the investor's conditions of financing the works on a micro-credit loan basis, including its terms and conditions by paying a fee per month per person. Based on the overall investment, the number of people in the community, the initial contribution from the community of minimal 10% of the investment and the loan duration, the monthly repayment fee for [community name] has been established at D [amount] per person per month.*
4. *This Loan Agreement will be formulated between the investor, the community and GAM-Solar as the contractor. The Agreement will be legally binding.*
5. *The duration of the loan repayment of an agreed D [amount] per month, is agreed to be [number] months at 10% interest charges on the outstanding amount (see Annex).*
6. *The Water Committee is entitled to receive D [amount] of the monthly fee collections as included in the tariff.*
7. *The Bills of Quantity are part of this contract; the system components are to be supplied accordingly.*
8. *The Community of [community name] hereby agrees to the Investor's Loan Repayment Schedule and the Solar Trust Fund conditions as part of this contract. GAM-Solar will take responsibility for the Solar Trust Fund and will report the Fund account status to the Investors on a quarterly basis. The newly installed components under this credit line remain property of GAM-Solar (i.e. the Solar Trust Fund) until the loan has been fully repaid. After full repayment the installed components under this contract will be the property of the Community.*
9. *During the max. 24 months warranty by GAM-Solar, the newly replaced components of the solar system are guaranteed by the Solar Trust Fund. Any repairs on the newly installed components can be withdrawn from the savings account during the loan duration period through invoicing by GAM-Solar.*
10. *Any original existing components of the solar system are not part of the Loan Agreement or the Warranty.*
11. *In case of late payment defaults GAM-Solar has the right to remove the newly installed components. Legal fees in that case will be for account of the Community.*
12. *By way of monitoring the investment's sustainability, quarterly financial Solar Trust Fund statements will be issued by GAM-Solar Energy to the investor and the VDC.*
13. *The investor has the right to decide how the accumulated repayment collections in the revolving Solar Trust Fund will be used again for any other project in the same community or elsewhere.*

20-Months Repayment Plan of a €10,246.31 solar pumping system for a 3000 people community @ 10% interest charges

**Solar pumping system UPGRADE 18-W000**

PROJECT FINANCING		EUR
Interest	10,00%	
<b>Project Cost</b>		<b>10.246,31</b>
<b>Initial Community Contribution</b>		
GMD	EUR	
80.000	1.600,00	-1.600,00
<b>To Finance</b>		<b>8.646,31</b>
<b>FIXED EXCHANGE RATE</b>		
GMD	EUR	
50,00	1,00	
<b>Monthly Payments</b>		
		<b>LOAN</b>
		€ 500,00
		D25.000
<b>Daily Payments</b>		
<b>MONTHLY</b>	GMD	EUR
D25.000	D833	€ 16,67

Number of People	ltr/person/day	Daily m3
3.000	30	90
<b>WATER TARIFF PER PERSON PER MONTH (pppm)</b>		
Debt Service	D8,33	€ 0,17
Daily income	from 3000 people	€ 16,67
Monthly income	TO SOLAR FUND	€ 500,00

Water Tariff ppm	D10,00	€ 0,20
Monthly income	from 3000 people	€ 600,00
	TO SOLAR FUND	-€ 500,00
Monthly income	Water Committee	€ 100,00

**Monthly Payments to Solar Trust Fund**

Month	Debt	Interest	Debt Service	Debt Service + Interest	Debt Service + Interest
1	8.646,31	0,00	0,00	0,00	0
2	8.646,31	72,05	427,95	500,00	25.000
3	8.218,36	68,49	431,51	500,00	25.000
4	7.786,85	64,89	435,11	500,00	25.000
5	7.351,74	61,26	438,74	500,00	25.000
6	6.913,00	57,61	442,39	500,00	25.000
7	6.470,61	53,92	446,08	500,00	25.000
8	6.024,53	50,20	449,80	500,00	25.000
9	5.574,74	46,46	453,54	500,00	25.000
10	5.121,19	42,68	457,32	500,00	25.000
11	4.663,87	38,87	461,13	500,00	25.000
12	4.202,74	35,02	464,98	500,00	25.000
13	3.737,76	31,15	468,85	500,00	25.000
14	3.268,91	27,24	472,76	500,00	25.000
15	2.796,15	23,30	476,70	500,00	25.000
16	2.319,45	19,33	480,67	500,00	25.000
17	1.838,78	15,32	484,68	500,00	25.000
18	1.354,10	11,28	488,72	500,00	25.000
19	865,39	7,21	492,79	500,00	25.000
20	372,60	3,10	372,60	500,00	25.000
21	0,00	0,00	0,00	0,00	-
<b>TOTAL REPAID AMOUNT</b>				<b>9.500,00</b>	<b>475.000</b>

**Loan Conditions as per separate Agreement**

Collection by the Water Committee (VDC)

Monthly deposits in Solar Trust Fund Account

Solar Trust Fund account under responsibility of GAM-Solar Energy & Engineering Co. Ltd.

GAM-Solar Energy as the initiator of the Solar Trust Fund makes all stakeholder arrangements