that has high level of risk. Different financial instruments can be used to implement this that includes equity, concessional debt, performance-based incentives, financing in local currency, and risk guarantees.

- **Partial Guarantees –** It is a credit enhancement mechanism for debt instruments such as bonds and loans. It is an assurance to pay a pre-determined amount of the principal or interest. This helps to improve the credit rating of the issuer and reduce investor or financing risk. This can be especially useful in countries where sovereign guarantees are not available. Thus, institutions such as the proposed Solar Finance Corporation can play a significant role.
- **Risk management products –** Hedging instruments to help mitigate risks such as currency risks, as well as credit and liquidity risks. Interest rate swap, cross-currency swaps forwards, commodity hedges and other instruments are available in the market.
- **Local Currency Bond issuance –** To help develop local capital markets. This is to facilitate more investment by other investors through the demonstration effect. This is also an instrument to help minimise dependence on more volatile sources of international finance. This provides an important source of financing beyond the banking system and equity finance.
- **Financial crowd funding –** This is increasingly becoming a popular method to source financing. Crowdfunding is an easier form of funding as compared to traditional sources of finances. This can be particularly important for small-scale projects or off-grid solar projects. It allows an organisation to source funds from the general public via the internet through a dedicated platform. Equity crowd funding is similar to when funders invest money in exchange for equity shares. Similarly, debt crowd funding is investment in return for interest. Non-financial crowd funding may also be explored for small projects where donations are made without any expectation of reward.

### Investment Board

The debt investment board will consist of technical and financial experts who will devise new and innovative financial tools to help tap into lesser developed markets in developing countries and LDCs. It will help access the various risks and returns involved in different projects and ways and means to balance it across projects. A separate equity board will be established to deal with equity investments that will comprise members with specialised skills in the area.
A risk management committee will be established to evaluate the risks and returns of investments over a period of time. There would be a sub-committee dealing with risks involved in equity investments.

New financing methods will also be devised to improve investments in off-grid solar projects. This would have to be in the form of long-term concessional finance that would make it easier for project developers as well as end-users to access and adopt solar energy. Further, for low-income groups the focus should be on improving livelihood through livelihood solutions that can help to raise the purchasing power of the groups and would be a more sustainable long-term strategy.

### Equity Investment process

1. **Screening of projects for equity investing –** This would be done using a combination of top-down approach (e.g., analysing the growth potential of the country, financial and regulatory environment, among others) and bottom-up (i.e., evaluating local demand and various business models)
2. **Structuring of projects –** This would involve key decisions about shareholding size. The process would have to choose between the various forms of investment such as equity, quasi-equity, mezzanine or blended finance.
3. **Supervision of projects –** The monitoring process for equity investments is more complex as compared to debt investments. The risky and volatile nature of investment requires monitoring credit, market and liquidity