

5/2/2014

Comments from Switzerland--Approval by Mail: SREP Nepal: Rural Electrification Through Renewable Energy (ADB)

Dear Patricia,

thank you for circulating the decision regarding the project approval of Nepal "Rural Electrification through RE".

We have studied the documents and have a few questions and comments, as attached to this e-mail.

Please transmit these questions and comments to the responsible project managers at the ADB and the GoN.

We would appreciate to have answers to these questions and comments prior to give our final non-objection to this project.

Thank you and best regards
Daniel

Daniel Menebhi
Program Manager

Federal Department of Economic Affairs, Education and Research EAER
State Secretariat for Economic Affairs SECO
Infrastructure Financing

Holzikofenweg 36, 3003 Berne
Tel. +41 31 322 22 07
Fax +41 31 324 09 65
daniel.menebhi@seco.admin.ch
www.seco.admin.ch



1 May 2014

SREP Funding Proposal / Project Approval Request
Nepal / Rural Electrification through RE
Questions and Comments

Questions:

1. How do you rate the chances that the Central Renewable Energy Fund (CREF) will become operational during the implementation period of the project and what is your best estimate on when this will be the case?
2. What implications does the use of the two commercial banks instead of CREF have on the affordability of the RE projects on the local communities and consumers?
3. What is the level of an "affordable" tariff to be paid by end-users to cover O&M and battery replacement costs?
4. What is the expected reduction or avoidance of CO₂ emissions of the project? How is that rationalized?
5. What is the expected impact of the project on the improvement of the framework conditions for the scaling-up of renewable energy in Nepal?

Comments:

1. The project budget and the expected results (p.6) are not quite consistent with endorsed Investment Plan. There is a different distribution of funds (70/30 instead of 50/50) between mini-/micro hydro and solar/wind powered mini grids. From what IP budget line do the USD 1.2 million for capacity building come from. The overall co-financing is by far lower than in the IP. These differences should be made explicit and justified.
2. The Implementation Arrangements (Table 1 p.8) do not correspond to this project but rather to the overall NRREP program. This information is not directly relevant to the project. The table should be amended by concentrating only on the relevant information to this project.
3. With regards to the Swiss comments to the SREP IP for Nepal, please explain:
 - a. How the operation and maintenance of the planned (solar, wind and hydro) systems will be assured in the communities and what capacity building measures are foreseen to empower the local communities.
 - b. How the project financing using the commercial banks or CREF functions, notably by showing the precise use of SREP grants and the way they are absorbed or recycled in the context of the bank loans/micro-credits.

SECO/WEIN/mnd/01.05.2014