

May 6, 2014

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

Dear Jiwan,

Thank you for forwarding the answers directly to us.

We have not yet received them officially from the SREP Administration Unit but we can comment on your answers as follows.

Regarding our questions:

1. OK, noted
2. OK, noted, although we would expect a better affordability due to economies of scale and higher efficiency given the much larger credit portfolio under CREF. It is our concern that such economies of scale and higher efficiencies shall be transferred to the end-users and thus lead to a higher affordability of rural electrification.
3. We understand that the costs depend on the technology and vary from \$0.10-\$0.20 per kW for mini hydro, being higher for solar or wind. But this statement about the costs does not say anything about the affordability of the tariffs for households and small businesses. Are the estimated cost levels affordable or not?
4. OK, noted, but could you make the calculation leading to these 18'000 tons CO₂/y explicit, please.
5. OK for the demonstration effect, but does the project in any way support an improvement of frame conditions (legislation, capacity, etc.) and in what way?

Regarding our comments:

1. Noted, but we are rather reluctant to consider NRREP, of which the project is a small component, as induced SREP co-financing. First, NRREP is not induced by SREP. Second, and more importantly, the component to be supported by an SREP grant (i.e. mini-grid based renewable energy development in off-grid areas for USD 24.4 million) is about the only part of NRREP concerning Renewable Energy (USD 315 million is for power transmission and USD 39.5 million for power distribution). Thus, the overall NRREP may not be considered co-financing leveraged by the SREP grant. Only the difference between USD 24.4 million and the proposed SREP grant of USD 11.2 million can be considered so. This is a leverage factor of 1.18:1 and not in line with expectations raised in the IP. Given that the leveraging of additional funds to scale-up Renewable Energy is an explicit SREP objective (reflected in the Results Framework), the low leverage factor of this project is likely to affect the program at the evaluation stage.

2. We would still like to see this table amended with the specific dates (implementation period, estimated completion date) and figures (e.g. procurement volumes) relevant only for the specific NRREP component which is the object for the SREP grant.
3. a) OK, noted.
b) We understand that the ADF loan will be revolving but what about the SREP grant. Will this also be recovered and revolving, or will it be entirely spent on the first set of projects (first 7 years out of 32)? In the latter case, on what premises do you assume that the ADF loan will be successfully re-used, once the subsidies related to the SREP grant are removed?
We understand that the impact/outcome/output, including the leveraging of funds related to the credit revolving is not included.

Could you please clarify the above mentioned remaining issues.

Thank you and best regards

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