

October 25, 2012

Comments from the United Kingdom on the Approval by Mail: Nepal SREP Small Hydropower Finance Program (ADB and IFC)

Dear Patricia,

Thank you for forwarding the project documents for sub-committee approval.

We note that several of the results to be achieved against the SREP results framework are still TBD, and the CO2 emission reduction figures are not provided. Without a CO2 figure we are not able approve the decision.

The UK has some other questions on the project proposal, but these are not a barrier to our approval. We would ask that the following be considered at the earliest opportunity.

- Given the complexities regarding the interaction of CIF funds with the carbon markets, we would appreciate clarity on the interactions of this project, if any, with the carbon markets.
- We would like to be reassured that appropriate social and environmental considerations will be taken into account in scheme implementation arrangements, including climate resilience of proposed schemes.
- We note the lack of a financial contribution from the GoN to this project, and would like to be reassured that this project has the full support of the GoN, including in setting other enabling policy conditions to support expansion of this sector – noting that the programme only addresses exchange rate risk, not other risks such as offtaker risk.
- We would reiterate our view that selection of financial institutions for participation in this project should as far as possible be open, competitive and transparent, while recognising that the number of relevant and interested institutions may be limited.

We would be happy to consider an updated proposal with a full set of expected results included.

Best regards

Simon

Simon Foster
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