



1 May 2014

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

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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 CO<sub>2</sub> 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.

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