

April 21, 2015

Approval by Mail: Endorsement of the Revised Investment Plan for Nepal (SREP)

Dear Mafalda,

Thank you for circulating the revised SREP Investment Plan for Nepal.

We have the following questions:

1. The main reason invoked for abandoning the project is that financing for small hydropower plants has become easier in Nepal since 2013. However, this does not explain why the project was unsuccessful, i.e. why no disbursements could be made from the allocation until now. Please provide an explanation.
2. We noticed that the shift from SHP to utility scale solar photovoltaics results in considerably lower expected outcomes in terms of aggregate RE capacity (down by 2/3 from 90 MW to 30 MW) and RE output (down 77% from 335 GWh/y to 82 GWh/y). What are the upsides that could compensate these lower outcomes?
3. Besides the ADB loan (USD 50 million), other co-financing of USD 20 million is foreseen. From what sources are these USD 20 million?
4. How is the statement “leveraging of SREP funds is expected to increase compared to the original IP” justified? The comparison of the financing plan in tables 5 (original IP) and 6 (revised IP) shows that both private sector equity and overall co-financing will be significantly lower in the revised IP.
5. We are surprised to see that the reallocation concerns the whole USD 20 million SREP contribution. Does that mean that the grant portions of USD 500’000 each for the ADB and IFC part will be returned unused?
6. The project was approved with a 95% capital contribution. Will this proportion be maintained in the on-grid solar program? How will the capital be channeled to the developers and how and by whom will the flow-backs be managed?
7. A key challenge of solar photovoltaics is the cleaning and maintenance of the solar panels, particularly in a dusty and/or corrosive environment. Is the solar sector in Nepal developed enough to assure such maintenance?
8. What measures is the GoN going to take to improve the policy and regulatory framework to allow utility scale solar photovoltaic plants to be promoted by private developers?
9. Have specific sites for the first utility scale solar photovoltaic power plants already been identified? How far are they from the main grid? Have interested private sector developers been identified?

Could you please ask the ADB and/or the GoN to provide answers to these questions.

Thank you and best regards

Daniel

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