

**Alternative Energy Promotion Center**

**1st trimester Status Review  
2018/19: National Renewable  
Energy Framework (NREF)**

A progress tracker for the NREF prepared to update the management on progress and lacking on achieving aims and objectives

**Planning and Monitoring Division**

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## Abbreviations

NREF	National Renewable Energy Framework
NRREP	National Rural and Renewable Energy Programme
AEPC	Alternative Energy Promotion Center
GoN	Government of Nepal
RE	Renewable Energy
DP	Development Partner

## 1 Background and Introduction

National Renewable Energy Framework (NREF) is built on the foundations laid by the success of the National Rural and Renewable Energy Programme (NRREP) managed by AEPC as a single programme modality since 2012 and has completed its five years in mid-July 2017 from the support of eleven external development partners (DANIDA, GIZ, KFW, Norwegin, UNDP, World Bank, ADB, UNCDF, SNV, UNESCAP, DFID). Under the NRREP, the Central Renewable Energy Fund (CREF) was set up as a financial intermediation mechanism to be responsible for the effective delivery of subsidies and credits to the RE sector.

The RE Framework is an umbrella mechanism for AEPC to coalesce and coordinate policies and programmes in the RE sector behind a set of strategic objectives. It is jointly owned by the GoN and DPs, and aims to converge initiatives of GoN, DPs and other organisations behind a common over-arching vision delivered through an integrated results framework. The RE Framework will serve to jointly coordinate and track results of various RE initiatives, engage stakeholders and help mobilise finance.

Nepal's Constitution - 2015 has incorporated federalism as the cornerstone of Nepal's political governance system and established a federal, provincial, and local level governmental structure. The local level governments have been entrusted with responsibilities for implementing RE and other local level development projects. The Constitution has also given prominence to RE as an important development priority. Given the internationally agreed goals primarily Sustainable Energy for All (SEforALL), Sustainable Development Goals (SDG) and Nationally Determined Contributions (NDC) related to the Paris Climate Change Agreement and national (Periodic Plans) targets of attaining universal energy access<sup>1</sup> by 2030, there is a clear opportunity for further RE development.

## 2 RE Framework principles

The RE framework is being implemented based on the following principles:

- Alignment with the Constitution and the associated legal regime for the RE sector.
- Enhancement of policy and institutional coherence and harmonization of DPs and the federal, provincial and local government efforts.
- Engagement with the private sector to develop innovative market-enabled approaches for RE services.
- Acceleration of the transition from a subsidy-centred to a credit-focused model, together with smart subsidy provisions.
- Facilitation of gender-responsive and inclusive energy access and productive end use.
- Delivery at scale, geographically and financially
- Building and operationalising of systems to improve Nepal's access to and utilisation of international technical assistance and finance.

### 3 Aims and Objectives

The aim of the RE Framework is: Enhanced productivity and market-enabled expansion of Nepal’s RE sector leading to improved access to energy for all.

Objectives through which aim will be achieved	Outcomes
<b>3.1. Governance</b>	<ul style="list-style-type: none"> <li>• <b>Strengthen the policy framework, governance systems, and public institutions needed to foster development of the RE sector in Nepal</b></li> </ul>
3.1.1. Stakeholder engagement and policy implementation	<ul style="list-style-type: none"> <li>• Activities to improve the planning process, coordination between stakeholders (including DPs) and facilitate appropriate policy reforms will be carried out</li> <li>• Support (including capacity building) for RE planning, and development by provincial and local governments and their related institutions will be provided</li> <li>• Mainstreaming of gender equality and social inclusion, disaster risk reduction (DRR), and climate resilience in RE policies and technologies will also be an important action area</li> </ul>
3.1.2. Fiduciary management risk and accountability	<ul style="list-style-type: none"> <li>• Actions to help strengthen management and increase transparency of public financial systems of related public institutions will be carried out, with a view to increasingly and appropriately channelling funds, and to expedite accreditation to international climate funds</li> </ul>
<b>3.2. Demand</b>	<ul style="list-style-type: none"> <li>• <b>Increase the demand for, access to, and effective use of RE technologies (including grid and off-grid electricity) and services, and micro, small and medium-scale enterprises (MSMEs)</b></li> </ul>
3.2.1. Awareness creation and Inclusive Outreach	<ul style="list-style-type: none"> <li>• Activities will be carried out to help engagement of CSOs and technology suppliers to improve awareness and knowledge of RE technologies and services and their efficient use by households, communities, and institutions resulting in behavioural changes</li> </ul>
<b>3.3. Supply</b>	<ul style="list-style-type: none"> <li>• <b>Improve capacity of the players across the supply chain to supply high quality and competitive RE technologies and services in Nepal including supporting the production of high quality RE technologies/components locally.</b></li> </ul>
3.3.1. Developing the Value chain and Market Systems	<ul style="list-style-type: none"> <li>• Actions to analyse the bottlenecks at various levels of the RE value chain or market systems and support to address them will be carried out</li> </ul>
3.3.2. Innovation and Demonstration	<ul style="list-style-type: none"> <li>• Actions to support the development, uptake, exposure, piloting and demonstration of innovations in technology and business models will be carried out. Effective collaboration between research institutions and the private sector will be promoted</li> </ul>
3.3.3. Quality Assurance	<ul style="list-style-type: none"> <li>• Actions to promote healthy and fair competition between suppliers in the various market segments to ensure cost-efficiencies, avoidance of malpractice and satisfactory levels of quality will be carried out</li> </ul>
<b>3.4. Financing</b>	<ul style="list-style-type: none"> <li>• <b>Increase access to finance for RE products and services by buyers and sellers through increased access to credit, strengthened finance mechanisms, and enhanced capacity of lenders</b></li> </ul>

3.4.1. Finance Access and Mobilisation	<ul style="list-style-type: none"> <li>• Actions to enable BFIs to access new and more reliable sources of finance such as the international climate funds will be supported</li> <li>• This will include capacity building of banks and financial institutions to ensure that the right fiduciary, environmental and social safeguards, and gender policies are developed and incorporated</li> <li>• Financial institutions will also be encouraged and supported to invest in renewable energy.</li> </ul>
3.4.2. Research, Design, and Piloting of Financial Instruments	<ul style="list-style-type: none"> <li>• Activities to support the development, piloting and roll-out of new and innovative financial instruments, including risk management instruments, for RE uptake will be carried out</li> </ul>
3.4.3. Awareness and Capacity Building	<ul style="list-style-type: none"> <li>• Actions to sensitize the need for, and build capacity of, financial institutions to link with technology suppliers in the sector will be carried out</li> <li>• Capacity of banks to better understand financing of RE projects and, those of LFIs to understand household level RE options, technologies and policies, as well as greater awareness of innovative business models will be developed</li> </ul>
<b>Cross cutting actions</b>	
Capacity Building	<ul style="list-style-type: none"> <li>• Actions to enhance capacity of institutions and enterprises (including MSMEs) to plan, design, manufacture, install, operate, maintain, use, manage, monitor and evaluate RE systems and services</li> </ul>
Knowledge Management	<ul style="list-style-type: none"> <li>• Knowledge management activities will be carried out to ensure that good quality evidence is generated across the sector, shared effectively to inform planning and decision-making and used effectively to ensure quality implementation</li> <li>• Activities to generate, analyse, document and disseminate data and carry out research in the RE sector will be undertaken</li> </ul>
Monitoring and evaluation	<ul style="list-style-type: none"> <li>• The monitoring and evaluation (M&amp;E) will provide systematic feedback to stakeholders to review and adjust (if needed) implementation and coordination strategies to effectively achieve the RE Framework objectives. The M&amp;E will be aligned to relevant national and international requirements</li> </ul>

## 4 Implementation: NREF Progress and Action Plan

The NREF has been approved by the AEPC board on 2<sup>nd</sup> November 2017. The implementation of NREF has been started after the exit of NRREP. The effort has been made to implement this on the basis of five key elements through key strategies. Remarkable progress has been made so far for the implementation of NREF.

The progress and action plan of 1<sup>st</sup> trimester review of FY 2018/19 is summarized below.

SN	Key Elements	Strategies	Action taken	Variance	Reason for variance	Recommendation for way forward	Responsibility	Remarks
1	Framework Partnership and Stakeholder Alignment	All stakeholders will be harmonized through Integrated Results Framework	Integrated Results Framework has been prepared	No distinct variance				
		Local and provincial governments will be encouraged to consider RE Framework as guiding tool.	Interaction with Provincial and Local Governments has been initiated in five provinces and about two hundred local governments	Interactions with provincial and local governments is still ongoing	Local governments are newly formed, other priority area of local government, number of local government is high	Phase wise interaction and continuous follow-up	Planning Division/Outreach Section of AEPC	
			Support has been continuously provided for provincial and local level governments to prepare Municipal Energy Plan (MEP)	No distinct variance				
			Continuous support to prepare the document of Energy Policy & Implementation procedure has been provided	No distinct variance				

2	Mainstreaming, Monitoring, and Reporting	The RE Framework vision and targets will align with Nepal's national development priorities, the SE for All Framework and the SDGs, among others. It will endeavor to be an integral part of the planning, budgeting and monitoring systems, at the federal, provincial, and local governments. It will also align with successive targets across different timescales, and enable aggregation and disaggregation of activities and results from the governments and other stakeholders						
		All results and funding related to the RE sector will be aggregated for effective and efficient tracking and reporting through prevalent federal, provincial and local government reporting systems	Preparation of Integrated Monitoring & Reporting Mechanism have been initiated but not yet been completed  For planning and budgeting, MoF	Finalization of framework is yet to be completed	New federal context	Through integrated approach of monitoring and reporting with consultations from all of the stakeholders for design and application.	AEPC, line ministry, provincial and local governments	



			with inputs from AEPC has initiated to provide budgets for local and provincial governments. Provincial and Local Level Governments has been provided with conditional grant.					
3	Phased Approach and Sustainability	The RE Framework will present a shared understanding of sectoral priorities for the short,medium,and long-term. It will adopt a progressive and evolving approach to allow capacities at different levels to be enhanced incrementally and federal structures and mechanisms to be institutionalised.	AEPC strategies for sectoral priorities for short, medium and long-term have been prepared.	Implementation of short, medium and long-term strategies is slow as per planning.	Difficulty in implementation due to government restructuring	Adaptive measures of implementation as per roles and responsibilities of provincial and local level governments should be taken	Planning Division	
		Sustainability will be ensured through adaptive, flexible and inclusive approaches, sustainable fund flow mechanisms, collaborative implementation		No distinct variance				

		models and the long-term vision of SEforALL based on a multi-tier energy access framework of SEforALL						
4	Governance: the RE Framework Steering Committee	The RE Framework Steering Committee (SC) will have strategic oversight of the RE Framework design, implementation, monitoring and reporting	Government Restructuring led to change in roles and responsibilities of Ministry due to which Steering Committee could not be finalized yet. Rigorous consultation with line ministry for finalization of Steering Committee has been continuously done and SC will be finalized very soon	Steering Committee is on the verge of finalization	delay due to restructuring	Immediate and Effective consultation with line ministry for SC finalization should be taken	AEPC, Line ministry officials and stakeholders	
5	Framework Management and Delivery	The Integrated Results Framework will be prepared under AEPC's leadership and endorsed by the SC and reviewed on a periodic basis for efficiency, effectiveness and value-for-money and All stakeholders (existing and new) will be committed to reporting on	Integrated Results Framework has already been prepared and will be approved by SC	SC yet to be formed	delay due to restructuring	Immediate and Effective consultation with line ministry for SC finalization should be taken	AEPC, Line ministry officials and stakeholders	

		activities and achievements						
		Provisions related to procurement, handling of non-compliance, fiduciary risk, force majeure and disputes will be as per the relevant government standards and procedures or bilateral or multilateral agreements signed between DPs and the GoN.	<p>Actions related to procurement, handling of non-compliance, fiduciary risk, force majeure and disputes have regularly been carried out as per existing government standards and multilateral agreements signed between DPs and GoN</p> <p>AEPC has prepared and implemented Financial Discipline and Good Governance Regulation 2018 and Financial Mismanagement and Corruption Prevention resource Book. New Compliance and Ethics Subcommittee Formed</p>	Regular Process				
		Detailed guidelines and procedures to operationalise the RE Framework will be formulated in due	Integrated Results Framework has already been prepared, Policy options for AEPC					

		course which will include development of an Integrated Results Framework, detailing out the RE Framework governance structure, clarifying the roles and responsibilities of stakeholders, especially with respect to federalism	and Challenge Fund Implementation Modality are being prepared.					
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## 5 Conclusion

National Renewable Energy Framework was initially thought of as an immediate successor of National Rural and Renewable Energy Programme. Due to restructuring of governance system, NREF has now been flexible and adaptive to the political and governance context. In the future, there might be need for the appropriate revision or restructuring of NREF to align with new context, planning process, plans and institutions emerging from the federal restructuring process. In the context of re-structuring, it has laid foundations over which several benefits of the framework can be achieved.