



# Central Renewable Energy Fund Nepal

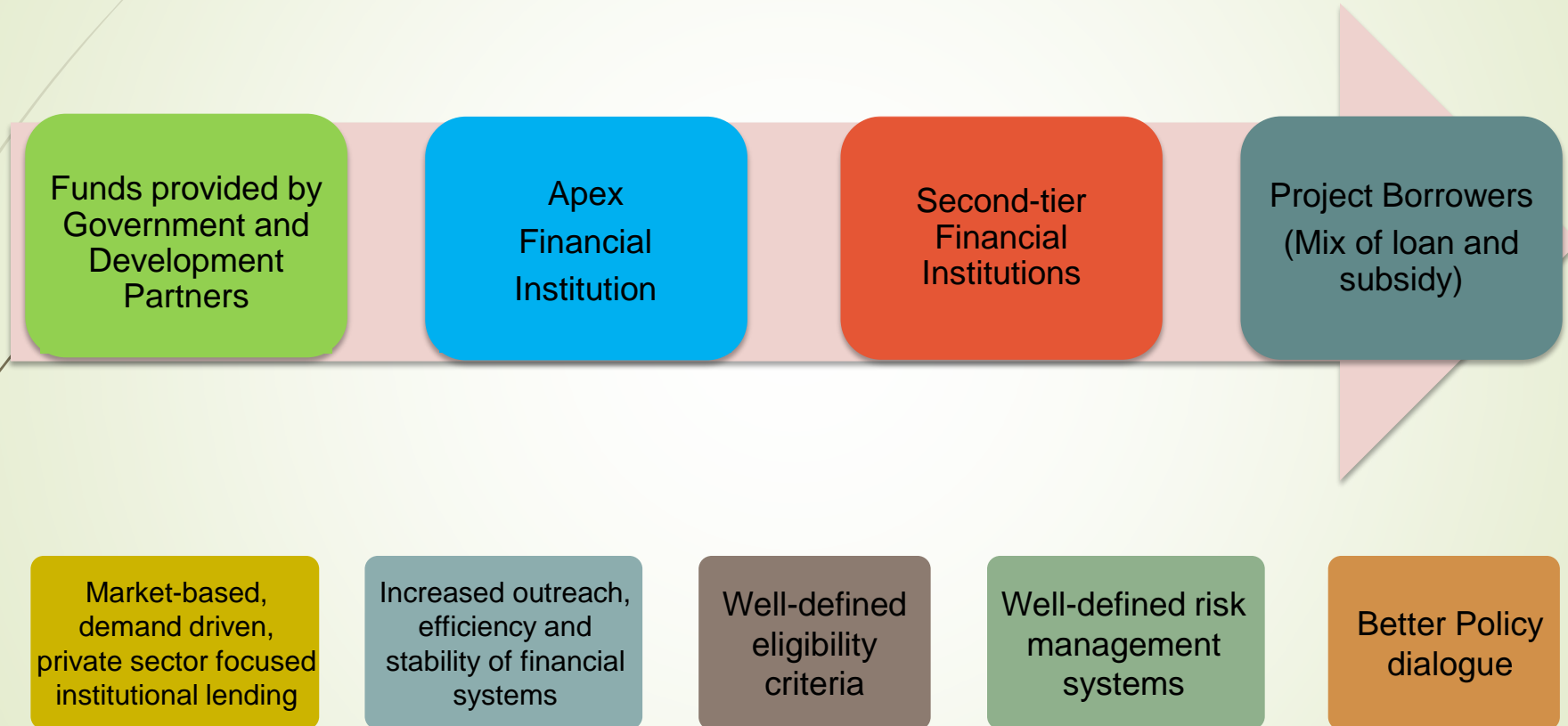


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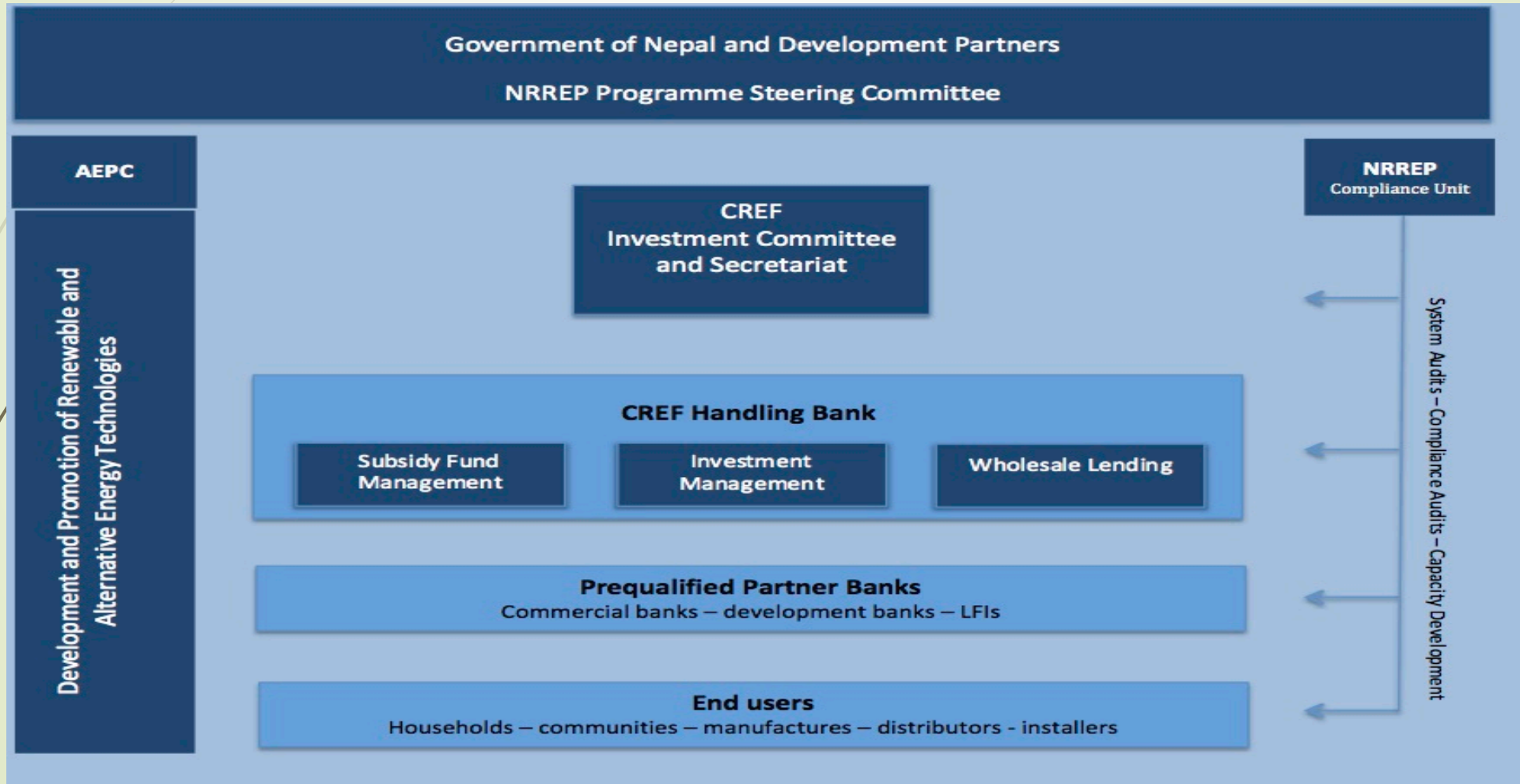
# CREF - Introduction

## ADB's Financial Intermediation Lending Policy



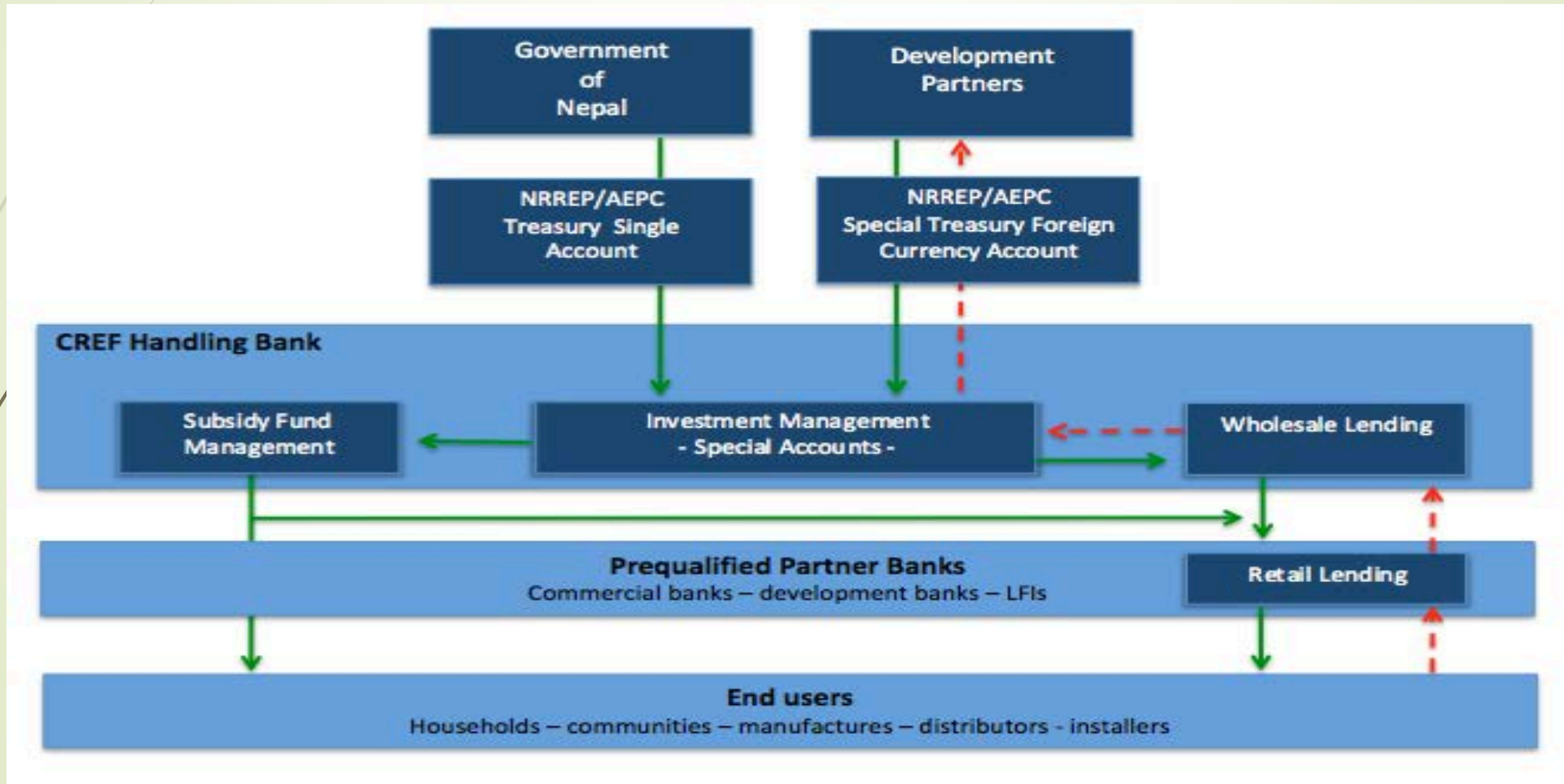
# CREF - Introduction

## Financial Management Mechanism



# CREF - Introduction

## Funds Flow Mechanism



# CREF - Introduction

## CREF Investment Committee & Secretariat

### **Investment Committee (*specialized sub-committee under the Program Steering Committee*)**

1. Chairperson - Joint Secretary, Ministry of Population and Environment (*Ms. Laxmi Kumari Basnet*)
2. Member - Under Secretary, Ministry of Finance (*Mr. Bhuban Karki*)
3. Member - Executive Director, AEPC (*Mr. Ram Prasad Dhital*)
4. Member - CEO of "Class A" bank nominated by Nepal Bankers' Association (*Mr. Rajan Singh Bhandari*)
5. Member - Representative from the Private Sector (*Mr. Siddhant Raj Pandey*)

### **Secretariat**

1. Head of CREF Secretariat; Management & Monitoring Specialist (*Mr. Prithvi Gyawali*)
2. Capacity Building Specialist (*Mr. Manu Binod Aryal*)
3. Support Staffs (*Ms. Bhumika Acharya*)





# Current Status

- CREF Investment Committee and Secretariat in place and functional; 22 CREF Investment Committee meetings already held
- CREF's Financial Management Mechanism, Legal Status, Operational Guidelines approved by Government of Nepal, Ministry of Population and Environment
- CREF Secretariat office established at handling bank
- One handling bank (GIBL) and seven partner banks (BOK, CEDB, CIVIL, NIBL, SBL, HBL & TDBL) selected through GoN's Public Procurement Act and Rules
- Handling bank has already processed about 75,000 subsidy application forms amounting to about NPR 2 billion; investment management being done by bank's Treasury Department, and wholesale credit fund disbursed to seven partner banks
- Partner banks already utilizing CREF's credit funds for investment in the RE sector
- Government of Nepal's Urban Solar Program being initiated through the seven partner banks



# Current Status

- CREF business plan and vendor financing models being developed with assistance from UNCDF.
- Various financial instruments for RET developers, banks, end-users and community being designed and developed in conjunction with Rural Energy Rural Livelihood (RERL), UNDP/GEF.
- Capacity building activity – Partner Banks Outreach under process; will be undertaken in 10 districts of Nepal over the next 2 years.
- CREF's technical review planned for June 2016.
- GoN's new budget for FY 2015/16 has top priority for RE sector with over 5 billion to be channeled in this sector; the budget speech specifically mentioned AEPC and CREF.
- With the government's priority in the RE sector, donors and development partners more committed; emphasis on providing funds for credit lending through CREF's partner banks.
- Subsidy Policy and Subsidy Delivery Mechanism being revised and approved to accommodate both subsidy and credit mix in funding RETs.



# Implementation of FMM

## General

- Contract signed with handling and partner banks – January 2015
- Operational guidelines and manuals developed and approved from the CREF Investment Committee for handling and partner banks
- Subsidy and credit funds transferred to handling and partner banks
- CREF Investment Accounts opened at the handling and partner banks
- CREF Business Plans (till end of NRREP 2017, and 5 years beyond NRREP; till 2022 along with Vendor Financing Models being developed with support from UNCDF
- Financial instruments and manuals for partner banks to invest in the RE sector being developed with support from UNDP (RERL/GEF project)
- Urban solar program of GoN being implemented through CREF partner banks
- GoN's budget for FY 2015/16 has prioritized RE sector with over NPR 5 billion to be disbursed through CREF

# Implementation of FMM

## Handling Bank

### Subsidy Administration

- All funds transferred to investment account carrying interest, and thereafter to respective subsidy and credit accounts when required.
- Separate individual sub accounts opened under the investment account; donor vs government, subsidy vs credit, and technology wise to ear mark each and every fund transferred and disbursed to maintain transparency and easy reporting.
- Physical verification of individual Subsidy Application Forms (SAFs) technically approved by AEPC prior to disbursement of funds from CREF.
- Periodical reporting; monthly, quarterly, half-yearly and annually as required by GoN and development partners.

### Investment Management

- Treasury department of handling bank handles all investment management of CREF funds.

### Wholesale Credit Fund Management

- Credit funds transferred to partner banks based on their post-earthquake business plans.

# Implementation of FMM

## Partner Banks

### CREF Credit Fund Management

- All funds transferred to CREF investment account (call account) carrying interest, and thereafter to current account upon approval of business plan for investing in RE projects.
- Direct lending to end-users, households, pre-qualified companies, developers, etc. Wholesale credit lending to MFIs and LFIs for smaller RE technologies.
- Credit risk borne by partner banks; financial appraisals of RE projects done by partner banks irrespective of AEPC's technical appraisal; projects need to be bankable for partner banks to invest in.
- Interest spread as mandated by the central bank (NRB)
- Periodical technology-wise reporting; monthly, quarterly, half-yearly and annually as required by GoN (in case of urban solar program) and development partners.
- Business plan to be prepared by partner banks; AEPC technically appraised projects to be bankable.

### Urban Solar Program

- Partner banks to implement GoN's urban solar program; upfront subsidy of NPR 15,000 provided on installations of 500 WP and above; 75% and 50% interest subsidy for household and institutional installation respectively.



**Thank you**