



Viability Gap Fund Based Sustainable Energy Challenge Fund (SECF)

**Information Package
to Submit Concept Note for SECF Support**

December 2023



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1. INTRODUCTION AND BACKGROUND

Nepal Renewable Energy Programme (NREP) is a Government of Nepal programme supported by The British Embassy Kathmandu. It is designed to increase private sector investment to develop distributed renewable energy (DRE) markets, primarily in commercial, institutional, and industrial market sectors; increase universal energy access, and a corresponding higher quality of life, to Nepali citizens living in remote regions. The Programme is implemented by the Alternative Energy Promotion Centre (AEPCC) and a consortium led by DAI Global.

The Central Renewable Energy Fund (CREF), a financial mechanism of AEPCC established a Viability Gap Funding based Sustainable Energy Challenge Fund (SECF) with funding support from UK-Aid. The provision of the SECF is included in the Amended CREF Operational Manual, which can be downloaded from <https://www.aepc.gov.np/uploads/docs/cref-operational-manual-2071-1st-amendment-2078-1621695236.pdf>

SECF provides financial and technical assistance to private sector led, or public-private partnership (PPP) DRE projects with a proven viability gap, to ensure their financial viability and sustainable operation. SECF awardees are selected through a competitive process

The SECF is designed to attract private sector investments into the RE sector either in the form of equity and credit. It will partially absorb initial investment risks and provide incentives to the distributed renewable energy projects. SECF will de-risk investments by facilitating commercial or low interest credit and possibly grants where there is a clear viability gap. Innovative models which efficiently aggregate small-scale RETs to achieve last mile access to lighting and clean cooking technologies are also eligible for competitive grants.

This information package is prepared to help the potential SECF applicants to implement Sustainable Energy related project.

2. SUPPORT WINDOWS OF SECF

The following eight windows have been established to support projects through SECF.

S.N.	Types of Windows	Support to be obtained together with TA
1.	For RE projects to be implemented with the investment of provincial and local level with the Public Private Partnership (PPP) approach	Capital grant up to 50% of the total project cost and TA



2.	For projects to be implemented in the form of Aggregated Demand for increasing access to clean energy services to the households, MSMEs and public institutions.	Grant to support market development & promotion and capacity development costs - maximum of 50% of these costs or <10 million rupees or financial support requested - whichever is less
3.	For projects to improve energy access to the households, where the support is given through Reverse Auction .	Maximum NRs 10,000 per HH or the financial support requested by the applicant - whichever is less
4.	For projects that improve technical, financial or managerial improvement of existing mini and micro hydro and other renewable energy mini/micro grid projects through System Improvement	Capital support: 50% of the total improvement cost or < Rs.10 million or the financial support requested by the applicant - whichever is less
5.	For other innovative sustainable energy projects not covered by any other window	Capital support- 50% of the total cost or <Rs.10 million or the financial support requested by the applicant-whichever is less
6	Viability Gap Support- For captive grid tied project, where minimum of 51% of the annual energy produced is used for self-consumption - Interest Rate Buy Down	Interest Buy Down- maximum of 50% of the total interest on approved loan for maximum of 5 years or rate proposed by the applicant - whichever is less.
7	Viability Gap Support-The captive grid tied project (Max 1MW) where minimum of 51% of the annual energy produced is used for self-consumption- Generation Based Incentive	Generation based incentives- based on the produced energy units of every 4 months - maximum of Rupees 1.50 per unit for upto 5 years or tariff Top-up proposed by the applicant - whichever is less.
8	Loan Loss Guarantees on RE loans	Loan Loss Guarantee-Maximum of 20% of the total RE portfolio of all loans recommended by SECF



3. ELIGIBLE INSTITUTIONS

Following institutions are eligible to apply for the SECF support

1. Special Purpose Vehicle established to implement DRE PPP projects with Local/Provincial Governments
2. Renewable Energy companies
3. Banks and Financial Institutions
4. Cooperatives
5. Industries or commercial entities registered under company act
6. Small and cottage industries
7. Any other companies not included above but have mandate to work in RE sector and have at least two years experiences of working in the RE or sustainable energy sector

For the eligibility and list of potential projects to be supported from SECF, please refer to the Annex 6 of the Amended CREF Operational Manual. The table is also attached at the bottom of this information package.

4. GOVERNANCE STRUCTURE OF SECF

As per amended CREF Operation Manual approved by the Ministry of Energy, Water resources and Irrigation (MoEWRI), CREF mechanism will manage SECF. The following structure has been set up to manage SECF effectively and transparently:

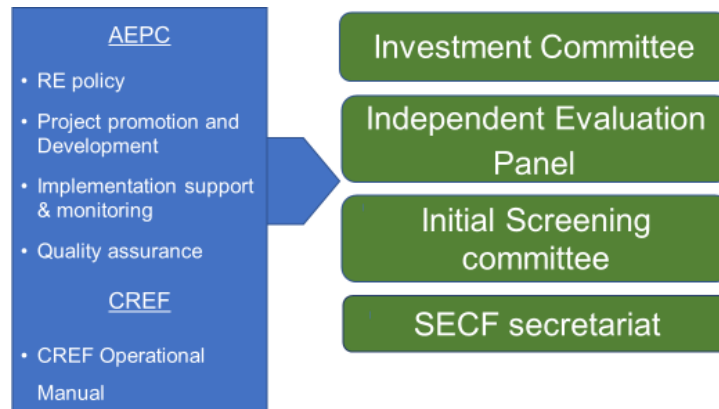


Figure 1: Governance structure of SECF

5. APPLICATION AND SELECTION PROCESS OF SECF AND ITS TIMELINE

SECF application is a 2-stage process. In the first stage, concept notes of the proposed projects should be submitted through online portal www.secf.nrepnepal.com. Applicant needs to provide Applicants data, Project data, targeted Beneficiaries, technical and economic data



of the project. The concept notes will be evaluated and shortlisted by an Initial Screening Committee comprised of sectoral experts.

In the second stage, full applications are requested from the shortlisted applicants. The full proposal has more detailed information of the project including objectives, project implementation, future sustainability, funding sources and capital budgeting including financial forecast of the project. Details for this are provided in a separate information package.

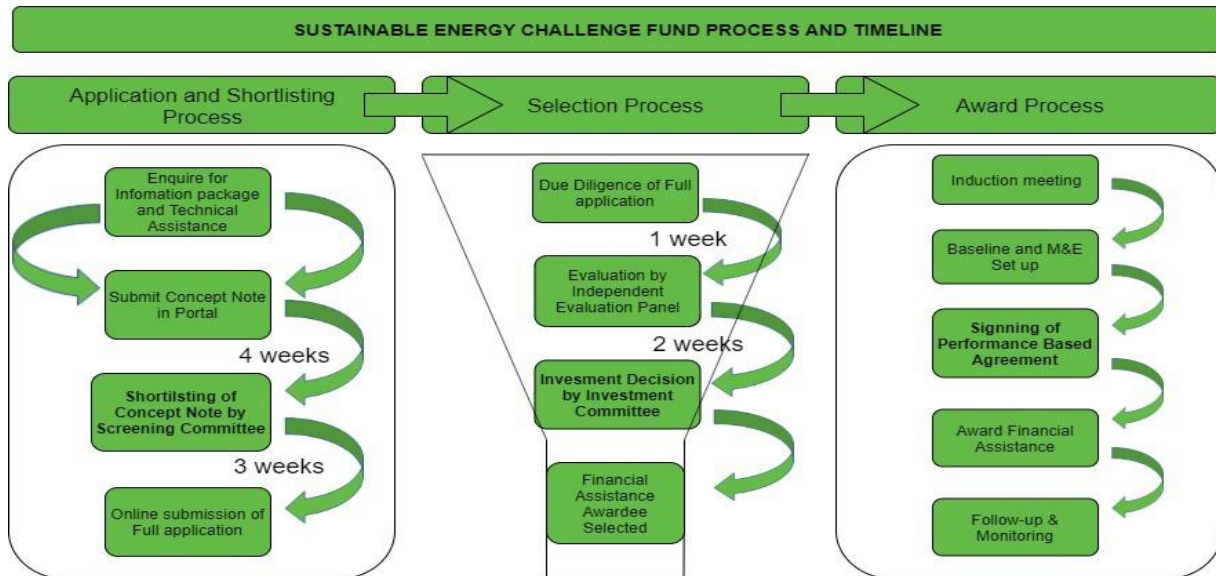


Figure 2: SECF steps and timeline

Apart from financial assistance from SECF, NREP also provides technical assistance to potential applicants for project identification, assessment, concept note application and full application submission. The final funding decisions of the SECF support depends on the Independent Evaluation Panel recommendation and approval from Investment Committee. SECF secretariat and AEPC will not guarantee funding to applicants that receive technical support at any stage of the SECF approval process.

Proper and transparent screening process in each of the SECF governance level will be followed so that adequate transparency and accountability can be ensured at each level. There are the following five levels of screening for each of the SECF application;

- (a) Screening of concept note by Initial Screening Committee
- (b) Due diligence of the applicants by the SECF secretariat
- (c) Evaluation of the projects by an Independent Evaluation Panel
- (d) Legal and financial compliance verification and
- (e) Final approval from Investment Committee.



SECF secretariat will ensure the availability of financial resources, legal compliance and no duplication of support in consultation with AEPC, concerned Development Partner and related Program/Project prior to the submission to the Investment Committee for its final approval.

The Investment Committee is the final approving authority of all SECF support. Screenings in each level will be carried out using predetermined criteria and scores to ensure consistency while treating all received applications. The SECF process flow diagram in Annex 1 depicts the process being following while awarding the SECF support.

6. CONCEPT NOTE EVALUATION PROCESS AND CRITERIA

The Initial Screening Committee will evaluate the concept notes received through online portal. The concept notes will be evaluated on the following four major criteria.

S.N.	Criteria to be used and areas to focus in each of the criteria	Weightage
A	<ul style="list-style-type: none"> • Type of organization (legal entity that makes and distributes profit) • Registered in appropriate government agency. <ul style="list-style-type: none"> ○ Registration certificate ○ Valid renewal of registration ○ PAN/VAT certificate ○ Tax Clearance certificate as per prevailing law. • Not blacklisted by concerned GoN agency (In case of RESCO model self-declaration from both RESCO and beneficiary company) <ul style="list-style-type: none"> ○ Self-declaration ○ Not blacklisted in PPMO if applicable ○ Not blacklisted by NRB if applicable • Alignment of the concept with the objectives of the VGF based SECF and funding partner's criteria. <ul style="list-style-type: none"> ○ Mandate in Memorandum or Association for doing the proposed business 	<p>Mandatory</p> <p>In case the applicant and project are not eligible to apply, further evaluation will not be done.</p>
B	<p>Technical evaluation of the project concept</p> <ul style="list-style-type: none"> • Appropriateness and adequacy of the project concept and proven technology demonstrated • Project demand and rationale explained • Project location clearly defined • Project methodology clearly articulated • Cost components of the project identified 	60
C	<p>Proposed financing arrangement of the project and investment mix</p> <ul style="list-style-type: none"> • Proposed debt plus equity as percentage of total project cost. 	20



S.N.	Criteria to be used and areas to focus in each of the criteria	Weightage
	<ul style="list-style-type: none"> Support requested, as a percentage of the eligible support ceiling of the SECF window applied for 	
D	Expected results/impacts of the project <ul style="list-style-type: none"> How does the project contribute to energy access, energy efficiency and/or energy transition? Is the applicant organization owned and/or led by women and/or member of disadvantaged group? If yes, please provide relevant evidence 	20
	Total Score	100

A concept note must get a minimum of 50 marks to be eligible for shortlisting for full application. Only shortlisted concept notes will be requested to submit the full application within a month.

7. APPLICATION TEMPLATES

An approved concept note template can be downloaded from the application online portal and NREP website. This template will help all applicants to know about the kind of information required to fill concept note online. While filling the concept note using online concept note portal (www.secf.nrepnepal.com), there is also Help Button for each of the information sought for concept note.

8. FREQUENTLY ASKED QUESTIONS (FAQ)

A set of FAQs is available in the NREP website (<https://www.nrepnepal.com/2021/06/secf-faqs/>) to help applicants understand more about the SECF and its management. If there are more questions or concerns, applicants can contact the prescribed telephone number and email id in the notice.

9. COMPLETENESS CHECK BEFORE STARTING ONLINE SUBMISSION OF CONCEPT NOTE

It is important that the applicants check the correctness and completeness of all the information provided in the application before it is submitted online.

Following is a checklist to be completed by each of the applicant before submitting concept note online:

- Do you have all the necessary information ready to input in the concept note portal?
- Have you clearly mentioned type of your organization?
- Have you attached the registration certificate and evidence of valid renewal of registration of your organization?
- Have you attached the PAN/VAT certificate of your organization?



- Have you attached the latest tax clearance certificate?
- Have you included your self-declaration that you are not blacklisted by PPMO or NRB?
- Is your project concept aligned with the objectives of the VGF based SECF?
- Does your organization have the mandate to carry out activities in your project concept note? If so, please attach copy of your organization's memorandum of association or bylaws, as applicable?
- Have you sufficiently described the appropriateness and adequacy of your project concept and demonstrated that your technology is proven?
- Have you properly explained the project demand and rationale?
- Have you clearly defined the project location?
- Have you clearly articulated your project methodology?
- Have you provided the cost components of your project?
- Have you clearly described the expected results of your project and impact of the project after implementation in terms of contributing to energy access, energy efficiency and/or energy transition?
- Is your organization either owned and/or led by women and/or member of disadvantaged group? If so, have you provided adequate evidence of it?
- Are you sure you have completed all sections of the concept note?
- Have you prepared all documents to be uploaded together with the concept note?
- Have you understood and signed the declaration?

If you have answered all the above questions, then it is likely that you can successfully submit your concept note. If you have not answered any question, please ensure you have answered it before clicking the submit button in the application portal. You can save all the information entered and log out before submitting the concept note. You can then login again to complete the concept note and then submit it.



10. CONTACT DETAILS

For any additional information and queries, please contact the following:

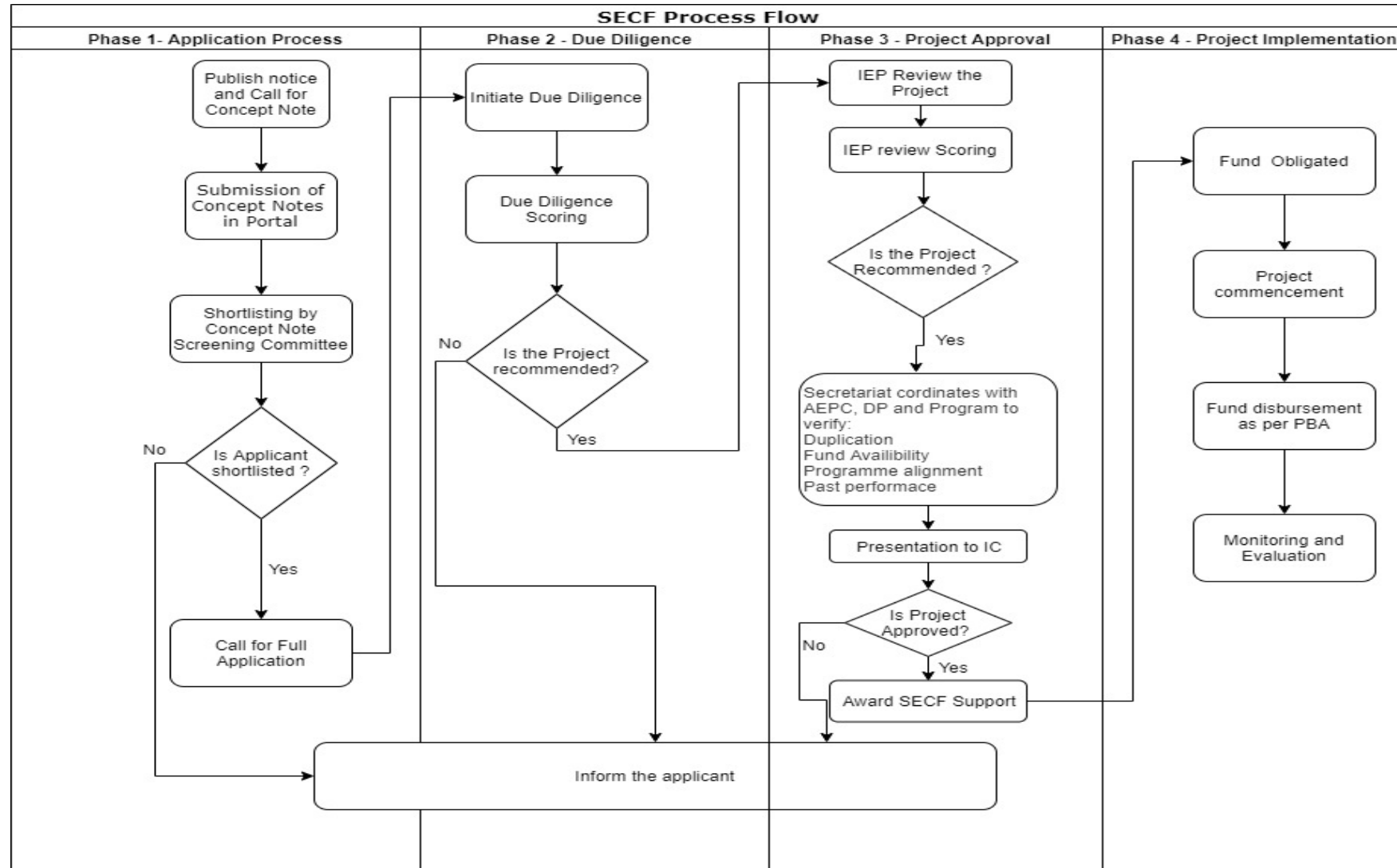
Alternative Energy Promotion Centre (AEPIC)
Mid Baneshwar, Kathmandu, Nepal
Tel: 01-4498013, 4498014
Email: info@aepic.gov.np
Web: www.aepic.gov.np

Secretariat Head, Central Renewable Energy Fund (CREF)
Tel: 01-4246160 Ext- 333
Email: info@cref.gov.np
Web: www.cref.gov.np

SECF Fund Manager, SECF/ CREF
Tel: 9802323318
Email: secf_queries@nrepnepal.com
Web: www.nrepnepal.com



Annex 1: SECF process to be followed for SECF approval





अनुसूची- ६ : भायबिलिटी ग्याप फण्डिङ्ग मार्फत सहयोग प्राप्त गर्न सक्ने सम्भावित आयोजनाहरू र प्रस्तावक संस्थाहरूको विवरण

{दफा १९ को उपदफा (३) (ड) सँग सम्बन्धित}

क्र.स.	लगानीका क्षेत्रहरू	सम्भावित आयोजनाहरू	योग्य आवेदक संस्थाहरू
१	स्थानीय तह तथा प्रदेश सरकारको लगानीमा कार्यान्वयन हुने सार्वजनिक निजी साझेदारीका आयोजनाहरू	स्थानीय तथा प्रदेश सरकारको लगानीमा कार्यान्वयन हुने सार्वजनिक निजी साझेदारीका आयोजनाहरू	स्थानीय सरकारको संलग्नतामा सार्वजनिक निजी साझेदारीमा स्थापित संस्थाहरू
२	प्रविधि तथा आयोजनाहरूको माग एकीकृत गरी कार्यान्वयन गरिने आयोजनाहरू	(क) सार्वजनिक निजी साझेदारीमा स्थानीय सरकारले प्रस्ताव गरेका आयोजनाहरू (ख) घरेलु नवीकरणीय ऊर्जा प्रणाली प्रवर्द्धन गर्ने आयोजनाहरू (ग) नवीकरणीय ऊर्जामा आधारित सिंचाई प्रणाली प्रवर्द्धन गर्ने आयोजनाहरू (घ) नवीकरणीय ऊर्जाको प्रयोगबाट घरेलु, लघु, साना र मझौला उद्यमहरू प्रवर्द्धन गर्ने आयोजनाहरू	(क) स्थानीय सरकारको संलग्नतामा सार्वजनिक निजी साझेदारीमा स्थापित संस्थाहरू (ख) ऊर्जा कम्पनीहरू (ग) वित्तीय संस्थाहरू (सबै किसिमका बैंक)। (घ) सहकारी संस्थाहरू
३	लिलाम घटाघट प्रक्रियाबाट ऊर्जाको पहुँच पुर्याउने आयोजनाहरू	(क) सार्वजनिक निजी साझेदारीमा स्थानीय सरकारले प्रस्ताव गरेका आयोजनाहरू (ख) अन्य संस्थाले प्रस्ताव गरेका घरघुरीमा दिगो ऊर्जाको पहुँच प्रवर्द्धन गर्ने आयोजनाहरू	(क) स्थानीय सरकारको संलग्नतामा सार्वजनिक निजी साझेदारीमा स्थापित संस्थाहरू (ख) ऊर्जा कम्पनीहरू (ग) वित्तीय संस्थाहरू (सबै किसिमका बैंक)। (घ) सहकारी संस्थाहरू
४	विद्यमान साना तथा लघु जलविद्युत र अन्य नवीकरणीय ऊर्जाद्वारा सञ्चालित मिनीग्रिडको प्राविधिक, व्यवस्थापन वा वित्तीय सुधार गरिने आयोजनाहरू	(क) साना तथा लघु जलविद्युत आयोजनाहरू (ख) सौर्य ऊर्जा मिनीग्रिड आयोजनाहरू (ग) वायु ऊर्जा मिनीग्रिड आयोजनाहरू (घ) बायोमास मिनीग्रिड आयोजनाहरू (ड) अन्य नवीकरणीय ऊर्जाद्वारा सञ्चालित मिनीग्रिड आयोजनाहरू	(क) स्थानीय सरकारको संलग्नतामा सार्वजनिक निजी साझेदारीमा स्थापित संस्थाहरू (ख) ऊर्जा कम्पनीहरू (ग) वित्तीय संस्थाहरू (सबै किसिमका बैंक)। (घ) सहकारी संस्थाहरू
५	बैंक ब्याजमा सहूलियत प्राप्त गर्न सक्ने क्याप्टिभ आयोजनाहरू	(क) विभिन्न नवीकरणीय ऊर्जामा आधारित विकेन्द्रीत ऊर्जा उत्पादनमा सघाउ पुर्याउने क्याप्टिभ आयोजनाहरू	(क) स्थानीय सरकारको संलग्नतामा सार्वजनिक निजी साझेदारीमा स्थापित संस्थाहरू

Signature

