



Micro Hydro power Debt Fund - MHDF

EnDev Nepal

Energising Development

Energising Development (EnDev) is an energy access partnership currently financed by six countries: the Netherlands, Germany, Norway, United Kingdom, Switzerland and Sweden. EnDev Programme in Nepal is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) since 2009 to facilitate access to modern energy services through grid and off grid technologies.

EnDev promotes sustainable access to modern energy services that meet the needs of the poor - long lasting, affordable, and appreciated by users.

Intervention Description

EnDev Nepal is working together with the Alternative Energy Promotion Centre (AEP) to improve the access of clean energy to the rural population through the development of a Micro Hydro Debt Fund (MHDF). The intervention aims to provide access to energy for rural areas while bringing the private sector into financing schemes.

The Fund is set up under the supervision of the AEP, with EnDev technical assistance and placed at two competitively selected banks for its administration; NMB Bank and Himalayan Bank. Credits follow banks internal regulations and processes, so the fund can be part of the current banks portfolio of loans.

Projects are developed with close technical support and in cooperation with AEP. Thus once the detail feasibility study is done and approved, as well as financial estimations are made, communities that do not have the necessary up-front financial resources to cover their required own contribution under the GoN subsidy scheme, may apply to get a loan. Communities can apply to a credit with a low interest rate from our partner banks and close their financial needs. In some cases, MFIs can be involved as field partners of the banks and reach closer to the communities.

Besides providing financial support of the fund, the project creates linkages and develops capacities in AEP, commercial banks, project developers and MFIs participating.

Once the loans have been repaid by the communities, the funds are used for financing further MHP sites.

Capacity Building for Partner Banks and MFIs

AEP in cooperation with EnDev supports the commercial partner banks to develop appraisal processes for concerned loans. In addition, the MFIs can be strengthened to facilitate the loan administration in the field. The partner banks will be informed on potential project sites that have qualified for AEP subsidies and are financially as well as technically viable. Furthermore, it proposes suitable local financial institutions (MFIs) that are close to the project site and could act as a local agent.

Capacity Building for Rural Communities

Alongside the existing support from both AEP programs, rural communities which receive a loan from the partner banks are strengthened in order to operate the MHP scheme in a financial and administrative sustainable manner. Besides operational training, the promotion of productive end-use of electricity is also addressed.

Expected Outcome

- Installation of approx. 1500 kW of additional generation capacity, with all the plants insurance covered.
- Providing 13200 households with electricity (approx. 73000 persons).
- Electricity access to 45 social infrastructure institutions and 55 rural businesses.
- Partner banks have the knowledge and practically proven that they can assess MHP projects in rural areas and select those which are viable for financing.

Funded by:



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- Communities and individual entrepreneurs are trained on the promotion of productive end-use of electricity.
- Strengthening the cooperation between AEPC, project developers and national as well as local micro financial institutions (MFIs).
- Demonstration that lending to the rural micro hydro sector can be profitable and a commercially viable business.

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Progress

The MHDF has played an important role to improve the access to credit for electrifying the rural population of Nepal which otherwise would never receive electricity. Currently banks are more familiar with lending to renewable energy projects and experience that it can be a profitable business.

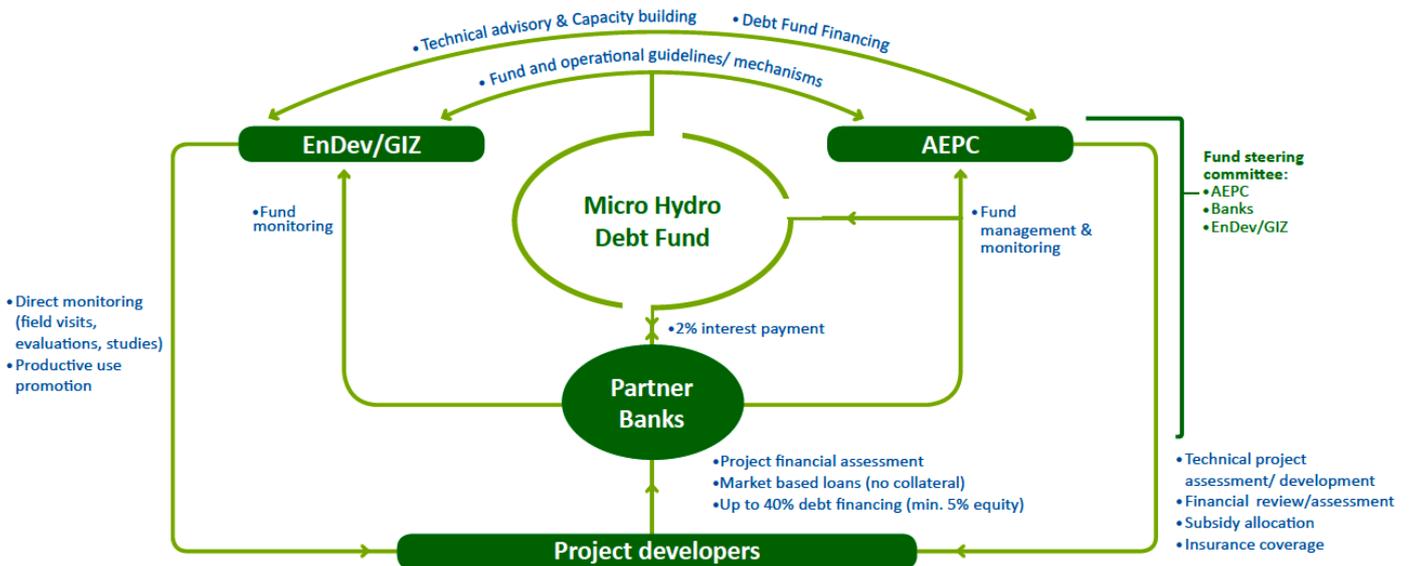
The fund also served as an important experience based on which AEPC develop the CREF facility for giving credits to other types of Renewable Energy technologies.

By December 2017, 26 MHPs have received loans and benefited 7116 households, 125 social infrastructures and 152 MSMEs with electricity access through 965 kW installed.



Micro hydropower plant provides Mrs. Maili Dhan Rai with electricity service to light her shop and provide quality services.

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Deutsche Gesellschaft
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Registered offices: Bonn and Eschborn, Germany
GIZ Office Kathmandu
P.O. Box 1457, Kathmandu, Nepal
T +977 (1) 5523228
F +977 (1) 5521982
I www.giz.de and www.endev-nepal.org

Contact:

EnDev
Dr. Peter Foerster
E peter.foerster@giz.de

Photos:

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