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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX I

to the Commission Implementing Decision on the financing of the annual action plan in favour of Nepal for 2024

Action Document for GREEN⁺ - Green and Reliable Energy for Economic Prosperity in Nepal

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title OPSYS business reference Basic Act	GREEN ⁺ - Green and Reliable Energy for Economic Prosperity in Nepal OPSYS Reference: ACT-62681 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes Team Europe Initiative (TEI) on Green Recovery
3. Zone benefiting from the action	The action shall be carried out in Nepal
4. Programming document	Multi-Annual Indicative Programme for Nepal 2021-2027 ¹
5. Link with relevant MIP(s) objectives / expected results	The action intends to contribute to the Specific Objective 1 of Priority Area 1 “inclusive Green Growth”: To support the implementation of Nepal’s 2019 Climate Change Policy, notably the Nationally Determined Contribution (NDC). Expected results 1.a: Increased access to clean energy (1.a.1: Number of individuals with access to electricity with EU support through: a) new access (200,000 by 2027), b) improved access (100,000 by 2027) [EURF, Green Deal Alliances, SDG-7]); and 1.b: Increased energy security (1.b.1: Renewable energy generation capacity installed (2 MW) with EU support [EURF, Green Deal Alliances, SDG-7]) and (1.b.2: Greenhouse Gas (GHG) emissions avoided (50,000 tonnes CO2eq) with EU support [EURF, Green Deal Alliances, SDG-13]).
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Energy (230)

¹ Within the maximum contribution of the European Union, the authorising officer responsible may adjust the allocation to the respective budgetary years subject to the availability of the commitment appropriations.

7. Sustainable Development Goals (SDGs)	Main SDG (1 only): Goal 7: Affordable and Clean Energy Other significant SDGs (up to 9) and where appropriate, targets: SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), SDG 12 (responsible consumption and production), SDG 11 (sustainable cities and communities), SDG 17 (partnerships for the goals), SDG 3 (good health and well-being), SDG 4 (quality education), and SDG 13 (climate action)				
8 a) DAC code(s)	23630 Electric power transmission and distribution (centralised grids) 70% 23110 Energy policy and administrative management 30%				
8 b) Main Delivery Channel	13000 - Member State Organisation (Delegated co-operation)				
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance				
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective	
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	RIO Convention markers	Not targeted	Significant objective	Principal objective	
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
		Digitalisation @		<input checked="" type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		YES <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>		

		<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line(s) (article, item): 14.020131 (South and East Asia)</p> <p>Total estimated cost: EUR 57 580 000</p> <p>Total amount of EU budget contribution EUR 23 580 000</p> <p>This action is co-financed in joint co-financing by:</p> <p>- The German Ministry of Economic Cooperation and Development (BMZ) for an amount of up to EUR 34 000 000 subject to approval from BMZ</p> <p>This action is part of the Team Europe Initiative (TEI) for Nepal on Green Recovery. In line with the co-financing, Germany will contribute to this Initiative for an indicative amount of EUR 34 000 000.</p>			
12. Type of Financing	Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.1			

1.2 Summary of the Action

Nepal, a Least Developed Country (LDC) in the Himalayas, faces significant challenges in its human development, gender equality, and susceptibility to climate risks, ranking low on respective global indices. The majority of its 29.2 million population is urban, with a considerable portion working abroad, leading to reduced agricultural engagement. Nepal's Constitution and the 15th National Development Plan (NDP) aim for sustainable development, aspiring to graduate from an LDC by 2026 and become a middle-income country by 2030, with a focus on human rights, green economy, and reducing inequalities (including gender inequalities).

Energy poverty hampers Nepal's development. Economic Survey (2022/23), Ministry of Finance reports that electricity consumption per capita is 351 kWh (as of mid-March 2023), which is very low compared to other countries in the region (India 862 kWh). Traditional energy sources like wood and dung still dominate the energy mix, contributing to greenhouse gas (GHG) emissions and creating inefficiencies and other externalities such as poor health outcomes and high workloads, mostly for women and girls in all their diversity. With its amenable geography for hydropower, Nepal has the potential of energy self-sufficiency and surplus for regional trade from renewable sources. The government's policies and the 15th National Development Plan 2019 – 2024 (March 2020) prioritize clean energy development, Greenhouse Gas emission reduction, and inclusive opportunities. Nepal's policy targets an increase in installed generation capacity from the current 3 300 MW to 28 700 MW in 15 years. Progress in the energy sector, however, is hampered by political instability and low institutional capacity. Nepal's energy reliability issues stem from inadequate transmission and distribution systems rather than generation capacity.

The energy mix includes a small share of renewable sources, and high system losses (13.46%) and inefficient use lead to reliance on diesel generators (Annual report, Nepal Electricity Authority, August 2023). While electrification has

increased, and is now stagnating at a rate of 89.9%, (World Bank, 2021) there is still energy poverty, particularly in remote areas.

As of mid-March 2024, only 6.1% of population had access to electricity from Renewable Energy sources (including 6 MW production from Bagasse). If electricity production from Bagasse is not included, then only 5.9% of population will have access to electricity from RE sources. (Economic Survey, Ministry of Finance, Government of Nepal, 2023/24)

The government is implementing policy reforms to improve energy efficiency and security. The overall objective of the action is to increase reliable, green, and inclusive energy supply in Nepal. The Action aims to support climate change mitigation efforts by avoiding GHG emissions by increasing the number of households (HH) connected to an inclusive, green, improved, and reliable grid supply.

The Specific Objectives (Outcomes) of this action are:

1. Ensure that the energy sector is greener and more inclusive
2. Ensure that the improved equal access to energy increases uptake of clean energy technologies

Planned activities include upgrading grid infrastructure, supporting clean energy technologies, developing policies, and improving the capacity of grid stakeholders with a focus on women in all their diversity and disadvantaged groups including people with disabilities.

The action is aligned with the priorities of the Global Gateway Strategy², the EU external energy strategy “EU external energy engagement in a changing world”³ and the EU Green Deal⁴. The action is aligned with the Gender Action Plan III⁵ and its key priority areas “Addressing challenges and harnessing the opportunities offered by the green transition and the digital transformation” “Promoting equal participation and leadership”. All being in line with EU priorities, including the Strategy for the rights of persons with disabilities⁷ (2021-2030), and the EU Guidance Note Disability inclusion in EU external action.

1.3 Zone benefitting from the Action

The Action shall be carried out in Nepal, included in the list of ODA recipients.

2 RATIONALE

2.1 Context

Nepal is a Least Developed Country (LDC) located in the Himalayas, landlocked, and endowed with a diverse geography, ecology, climate, and society. Ranking 146 out of 193 countries on the Human Development Index Report 2023/2024 (www.undp.org), 10th in terms of climate risk according to the Global Climate Risk Index 2021 (www.germanwatch.org), 116th out of 146 countries according to the Global Gender Gap Report 2023 (World Economic Forum, 2023), and 126th out of 191 countries on the Gender Inequality Index 2022 (live.com). Nepal is one of the most disaster-prone countries in the world. Around two-thirds of the 29.2 million population live in municipalities classified as urban, while an estimated 2.2 million people are abroad, 17.8% of whom are women, as a result of labour outmigration and the declining engagement of youth in agriculture. 36.3% of the population are under the age of 18 years, 51.13% of the total population are women, and persons with disabilities represent 2.2%, of which 45.8% are women.

The Constitution of Nepal 2015 guarantees the sustainable development of Nepal’s society and economy, and Nepal’s current (15th) 5-year National Development Plan (NDP), reaffirms the commitment to graduate to a middle-income

² [Global Gateway - European Commission \(europa.eu\)](http://europa.eu)

³ [EU external energy engagements \(europa.eu\)](http://europa.eu)

⁴ [The European Green Deal - European Commission \(europa.eu\)](http://europa.eu)

⁵ [Gender Action Plan III: towards a gender-equal world | EEAS \(europa.eu\)](http://europa.eu)

⁶ The [Gender Action Plan III](http://europa.eu) is a Joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy which was welcomed through [EU Presidency Conclusions](http://europa.eu) of 16 December 2020 endorsed by 24 Member States.

⁷ [Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030 \(europa.eu\)](http://europa.eu)

country by 2030 (with an intermediary step of graduating from the ‘least developed country’ category, expected in 2026). This is to be achieved through delivering on human rights through a strong focus on human capital development, transitioning to a green economy and building a climate-resilient society, with particular attention to reducing inequalities based on gender, disability, caste, ethnicity, income, wealth, age and geographic location. Rural women and girls in particular suffer from energy poverty. Renewable energy production can support the green transformation and provide non-power benefits such as economic improvements to livelihoods, local supply chains and investment in community services⁸, as well as reduce the time poverty of women.

Despite its potential for clean energy generation, Nepal's social and economic development suffers from energy poverty, which is often to the detriment of the poorest and most marginalised sectors of the population. Traditional energy sources represent more than 60% of the energy mix; they include fuel, wood, agricultural residues, and animal dung and are still the most prevalent energy for cooking. Further, continued dependence on traditional biomass has detrimental effects on women's health through indoor air pollution caused by smoke and unhealthy workplaces⁹, as well as increased demand on their time for fetching wood. Generation capacity (2,120 MW in 2023) is well below peak demand (>2,171 MW). Transmission and distribution system loss is reported 13.46% in the fiscal year 2022/23 (Annual Report, Nepal Electricity Authority, August 2023), and power quality is low, with frequent power fluctuations, low voltage, and unscheduled interruptions that force industry, trade, and households to use their own sources of power supply using diesel generators. Energy sector is the second biggest source of GHG emissions in Nepal (29%), after agriculture. Transforming the share of traditional energy into energy from renewable sources is one of two clear pathways to mitigate GHG emissions that could also benefit the most vulnerable populations. The revised 2nd Nationally Determined Contributions (NDCs), National Climate Change Policy (2019), Nepal's Long-term Strategy for net zero emissions (2021), and the 15th National Development Plan lay the government's priorities in the sector. These include the development of clean energy infrastructure harnessing Nepal's significant hydropower opportunities, reducing GHG emissions, contributing to green economic growth, a climate-resilient society, environmental health, jobless recovery from the pandemic, creating inclusive opportunities, and improving the living conditions of people - committing to the principle of “do no harm”. These are in line with the Government of Nepal and Development Partners' joint statement for Nepal's Relief, Recovery, and Resilience Plan from the COVID-19 pandemic, as outlined in the Green Resilient Inclusive Development (GRID) strategy agreed upon between the government and development partners.

Nepal's commitments to increase renewable energy and reduce GHG emissions depend on international backing, from great infrastructure loans (EIB, WB, ADB, AIIB) to support the Ministry of Energy, Water Resources, and Irrigation (MoEWRI). Electricity demand in India is growing, and there is a growing number of agreements for the export of hydropower from Nepal to India. However, there is a mismatch between current electricity supply and growing domestic and regional demand. Nepal aims to increase hydropower generation to meet increasing domestic consumption as well as to export to neighbouring countries. As part of this plan, Nepal is planning and implementing important investments in the transmission infrastructure, which is currently insufficient and unreliable and a major bottleneck for the further increase of domestic electricity generation and consumption. At the same time, the poor state of the electricity distribution networks is a major obstacle to the development and uptake of climate-friendly and less polluting technologies such as electric vehicles, electric cooking appliances, and rooftop solar installations.

This context makes energy a particularly relevant sector to invest in for Global Gateway in Nepal. With a team Europe approach, leveraging investment from European development finance institutions (KfW and EIB), technical knowledge from EU Member States organisations (GIZ), and supporting private sector investment.

Reform of the energy sector has been a key priority of every government, trying to develop robust policies, overcome gaps and poor implementation, and, in particular, develop and amend supportive policies in view of changing social, economic, environmental, and geopolitical contexts. Capacity building such as consumer and technician and engineers' awareness and skills on electrical safety and standards (e.g., building code, grid code); advanced skills for grid operators and technicians to handle more complex electricity mixture; and advanced knowledge of policy makers on all three levels of government, etc. in the sector is also necessary to reduce investment bottlenecks. However, progress has been very slow to achieve targets due to political instability, frequent government changes, and low institutional capacity. There are good coordination mechanisms on policy support between development partners, and in particular, there's advancement on how to implement Free Prior Informed Consent and clarify compensation

⁸ Multi-annual Indicative Programme 2021-2027 MIP NEPAL

⁹ Gender equality and social inclusion assessment of the energy sector enhancing social sustainability of energy development in Nepal, ADB

mechanisms for different types of energy infrastructure more inclusive and sustainable, including Gender Equality and Social Inclusion (GESI), which has been recognised as one of the main factors influencing development outcomes in Nepal¹⁰.

2.2 Problem Analysis

Short problem analysis: **Climate issues relating to energy**

Nepal's energy mix is categorised into three folds: traditional, commercial, and alternative energy sources. Traditional sources are fuel wood, agricultural residues, and animal dung, whereas commercial sources are fossil fuels and electricity. Alternative energy sources include micro-hydro, solar, wind, and biogas. Electricity is largely generated from hydropower. Although the energy mix has been changing slowly, the share of traditional energy resources still dominates the energy mix with more than 60%, while renewable energy resources contribute a low share of about 3%.

Climate change and subsequent changes in weather and precipitation patterns, as well as impact on glaciers will imply changes in water resources, and thus on the hydropower generation. Current plans include a measure of climate-proofing, as well as focus on power storage in addition to power generation in order to create a more stable supply between wet and dry seasons.

Although Nepal is committed to adopting a low-carbon development pathway, this has to go hand in hand with an increase of energy access among low-income people residing in isolated and remote areas, which is currently very poor. Most of the rural population still relies on traditional sources of energy for cooking and suffers from an energy deficit to meet their increasing demands. Since the burden of providing energy to fulfil their household needs fall disproportionately on women, who spend a significant amount of their time and effort in collecting fuel, increasing their time poverty and creating opportunity costs, taking them away from employment, education and other opportunities¹¹. Nevertheless, it is noteworthy that the electrification status in the country has progressed significantly over the past few years, with national electricity access increasing from 93% in 2021 to 94% in 2022. As of mid-March 2024, access to electricity across the country has reached 97.6% (Economic Survey, 2023/24).

The government has given a high priority to the development of energy infrastructure to build the foundation for productive sectors such as agriculture and industries, contribute to high economic growth, and improve climate resilience and the living conditions of people particularly among the most marginalised persons and groups. This is especially relevant in the Pokhara-Butwal-Bharatpur triangle, which is a strategically located region, in view of its huge potential to contribute to the economic transformation of Nepal thanks to proximity to India, connection to Kathmandu, and high tourism potential. Butwal has also a designated Special Economic Zone and is the heart of a number of manufacturing industries. Moreover, this region has an electrification rate above 90%, therefore, there is a good potential for rapid growth in per capita electricity consumption by strengthening the electricity distribution network.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The Action's stakeholders are the Ministry of Energy, Water Resources and Irrigation, the Nepal Electricity Authority (NEA), provincial (Lumbini, Gandaki and Bagmati) and local Governments, banks, publicly owned enterprises, private sector companies, chamber associations, public utilities and in extension both the consumers of the industrial products and services as well as the employees of the entities, the National Women Commission (NWC) on gender equality and women's empowerment (GE and WE).

As Right holders: Women groups, such as the Federation of Women Entrepreneurs Associations of Nepal (FWEAN) Gender/GESI focal points, NGOs related to gender equality and social inclusion, organisations of persons with disabilities (OPDs).

Short problem analysis: **Access to reliable energy**

¹⁰ Gender Equality and Social Inclusion Assessment of the Energy Sector, ADB

¹¹ Gender Equality and Social Inclusion Assessment of the Energy Sector, ADB

The reliability of electricity in Nepal is no longer largely linked to insufficient generation capacities but rather to the existing poor and weak transmission and distribution systems in the country. The latter is characterised by excessive reliance on 33 and 11 kV voltage levels for distribution, long and overloaded feeders, and generally outdated infrastructure. This leads to frequent imbalances of load, overloads, and power cuts and causes massive damage to electrical infrastructure and appliances (e.g., approximately 2,000 distribution transformers burn out per year).

Nepal's social and economic development suffers from an energy deficit and inefficient use of energy. Transmission and distribution losses are high, and power quality is low. System losses are high, at > 15.4% in 2022 and 13.5% in 2023 (Source: NEA Year 2022/2023 Report). Power fluctuations, low voltage, and unscheduled interruptions force industry, trade, and households to switch frequently to their own sources of power supply using diesel generators, leading to higher imports of fossil fuels from India to Nepal. Rising imports of electricity and fuel increase the country's already considerable trade deficit and dependence on its neighbour, India. Climate variability and change leads to high energy imports during the dry season, among other impacts¹². Macroeconomic projections show that the potential savings for electrical and thermal energy for the eight most energy-intensive sectors in Nepal are around 155,000 MWh and 8,000,000 GJ respectively¹³.

Further, the Government has instigated a series of policy and regulatory reforms to improve energy supply in the country, including doubling the average improvement rate of energy efficiency from 0.84% per year (2000-2015) to 1.68% per year in 2030, enhancing energy security by increasing energy access through efficient use of energy sources.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The Action's stakeholders are the Ministry of Energy, Water Resources and Irrigation, the Nepal Electricity Authority (NEA), provincial (Lumbini, Gandaki and Bagmati) and local Governments, banks, publicly owned enterprises, private sector companies, chamber associations, public utilities and in extension both the consumers of the industrial products and services as well as the employees of the entities, the National Women Commission (NWC) on gender equality and women's empowerment (GE and WE).

As Right holders: Women groups, such as the Federation of Women Entrepreneurs Associations of Nepal (FWEAN) Gender/GESI focal points, NGOs related to gender equality and social inclusion, organisations of persons with disabilities (OPDs).

3. DESCRIPTION OF THE ACTION

3.1 Objectives, Outcomes and Expected Outputs

The overall objective of this action is to increase green, reliable, and inclusive energy supply in Nepal. The Action aims to support climate change mitigation efforts by avoiding GHG emissions by increasing the number of households connected to an inclusive, green, improved, and reliable grid supply.

The Specific Objectives (Outcomes) of this action are to

1. Ensure that the energy sector is greener and more inclusive.
2. Ensure that stable, and reliable supply increases access to energy services and facilities

¹² Nepal - Country Climate and Development Report, IFC 2022

¹³ https://www.energyefficiency.gov.np/downloadthis/baseline_study_of_selected_sector_industries.pdf, 2012

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

- 1.1 contributing to Outcome 1 (or Specific Objective 1): Gender-equitable and disadvantaged groups focused policies are developed and implemented at national, provincial and local level.
- 1.2 contributing to Outcome 1 (or Specific Objective 1): Inclusive clean energy technologies are installed and operational
- 1.3 contributing to Outcome 1 (or Specific Objective 1): Consumers with special focus on women, and disadvantaged groups, have improved access to green energy solutions.
- 2.1 contributing to Outcome 2 (or Specific Objective 2): New or upgraded, transmission and distribution infrastructure is installed and operational, which reduces losses at least by 20%, enhancing efficiency and reliable power supply, which is expected to decrease supply outages by at least 20%.
- 2.2 contributing to Outcome 2 (or Specific Objective 2): Electricity supply from green energy sources for e-cooking, e-transport, space and water heating and cooling, and export electricity rooftop solar to grid in operation

3.2 Indicative Activities

Activities related to Output 1.1 (Gender-equitable and disadvantaged groups focused policies are developed and implemented at national provincial and local level):

These will include institutional capacity development of entities, in particular Nepal Electricity Authority (NEA), which is largely responsible for planning, construction, generation, transmission, and distribution, including operation, management, monitoring, and maintenance of all generation, transmission and distribution facilities in Nepal.

Similarly, these will also include Alternative Energy Promotion Centre (AEPC), which is responsible to develop and promote renewable energy with the potential to develop low-emission pathways and climate-resilient energy sources. The interventions of AEPC are closely linked to community engagement, especially by empowering local communities with special attention to women and people living in vulnerable conditions and institutions to implement decentralised renewable energy systems, including other entities responsible for implementing renewable energy and energy efficiency options; the development, support for implementation and monitoring of the national, provincial and local plans (e.g. provincial policies, municipal energy plans) while ensuring effective participation of women and disadvantaged groups in these processes, assessments of selected energy sector policies and regulatory frameworks to identify barriers and gaps in their implementation. In particular, the programme will support the formulation National Electricity Code of Nepal. These will be based on international best practices integrating gender-sensitive response.

Activities related to Output 1.2 (Inclusive clean energy technologies are installed and operational):

These will include the development and implementation of different capacity development measures based on capacity needs assessment, mainly on strengthening power quality, grid reliability and stability, including tailor-made trainings. It will also include capacity and technological know-how support for NEA and other promising technical institutes/universities. The programme will also support the development, digitalisation and operationalisation of grid operation, management and optimisation tools and systems (e.g., distribution system modelling and analysis tools, dynamic simulation for transmission planning tool, wide area management system, etc.), as well as for VRE grid integration.

This activity will contribute to a meaningful (productive) use of innovative renewable energy (RE) energy efficient (EE) technologies adopting a holistic approach. This entails the entire chain from generation, transmission, distribution, RE and EE technologies, and most importantly the transfer of skills and knowledge with the actors along this chain. Investments in the existing weak, inefficient, and unreliable distribution system along with technical assistance would definitely improve access to clean energy technologies, i.e., by increasing the reliability of supply for those who are already connected to the grid and by supporting more grid connections for consumers in rural and remote areas in the supply zone. Generation and transmission have been in the focus of the Government of Nepal, NEA and donors especially during the last 20 years.

Activities related to Output 1.3 (Consumers with special focus on women and disadvantaged groups have improved access to clean energy technologies)

The activities include awareness campaigns to raise consciousness on the use of energy and renewable energy, with focus on gender-specific use and consumption (efficient users), support Banks and Financial Institutions (BFIs) and Local financial Institutions (LFIs) in their applications for financial instruments supporting renewable energy and energy efficiency, and to demonstrate innovative RE and EE technology installations or business models, including international best practices. It will also support entities to focus financing for women and disadvantaged groups.

Activities related to Output 2.1 (New or upgraded transmission and distribution infrastructure is installed and operational):

These include construction and/or upgrading of 132/ 33/11 kV substations and distribution transformers, replacement and/or upgrading of conductors and related activities such as measures for feeder segregation, installation of cable connections etc., as well as extension of lines, control, and measuring applications, and monitoring / repair systems. It shall include the IT system for monitoring, control and protection of the generation, transmission and distribution facilities including the National Dispatch & Control Centre and Distribution Control Centres. The new or upgraded, transmission and distribution infrastructure is expected to reduce losses at least by 20%, enhancing efficiency and reliable power supply, which is expected to decrease supply outages by at least 20 %.

Activities related to Output 2.2 (Electricity supply from green energy sources for e-cooking, e-transport, space and water heating, cooling, drying, export to electricity for rooftop solar to grid through net metering are in operation)

The activities will focus on ensuring that there is provisioning of sufficient grid capacity for construction of e-charging infrastructures for –vehicles and uptake other cleaner technologies such as e-cooking, cleaning, washing, space and water heating and cooling, drying, and export of electricity from rooftop solar to grid through net meeting are in operation. Opportunities to support agro industries by developing food value chains through efficient and clean transformation units and storage and transport facilities (notably for perishables products) will be explored and promoted.

The investment activities focus on power distribution upgrade and extension (substations and distribution transformers, conductors and related activities, etc. Reliable and stable power for e-cooking and e-charging infrastructures and services, which is not possible without e-charging infrastructure facility from the operator NEA. In addition, the Technical Assistance provided by the Action shall help to develop the regulatory environment this direction, comprising incentives and promotion for e-charging and e-cooking. Moreover, the activities are “sample activities” and will be chosen carefully to reach all the intended project goals.

The commitment of the EU’s contribution to the Team Europe Initiative (TEI) to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member’s meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming:

Environmental Protection & Climate Change

Outcomes of the Strategic Environmental Assessment (SEA) screening (relevant for budget support and strategic-level interventions)

The SEA screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project).

The Climate Risk Assessment (CRA) screening concluded that this Action is a climate low-risk project, and climate risk aspects will be addressed during the design of the action.

Gender Equality and Empowerment of Women and Girls

This action follows the OECD Gender DAC Code, marked G1, as it aims to increase access to green and inclusive modern energy solutions for women, youth, and disadvantaged groups (DAG), including their participation in developing, implementing, and monitoring national and sub-national plans and policies, access to finance to adopt modern energy solutions (renewable energy and energy efficiency), and capacity enhancement to give them better exposure to the green job market throughout the implementation phase of the Action. More specifically, it develops specific activities to promote gender equality and women's and girls' empowerment for gender transformative change by increasing access to RE and EE solutions.

Human Rights Based Approach (HRBA)

The Action will design dedicated activities and allocate resources for governance intervention and adopt the Human Rights Based Approach (HRBA) and its five working principles: 1) applying all human rights for all; 2) meaningful and inclusive participation and access to decision-making; 3) non-discrimination and equality; 4) accountability and rule of law for all; and 5) transparency and access to information supported by disaggregated data. It will ensure specific activities targeting women-led groups and cooperatives, giving them the opportunity to address renewable energy needs and products that will bring significant changes in their living conditions. The Action will have dedicated governance activities to work with duty bearers (supply side) and right holders (demand side) in governance.

This Action is to extend support to the energy sector, which needs to respect Free, Prior and Informed Consent approach as well as the displacement of people and properties, especially Indigenous Peoples (IPs) and persons with disabilities. Therefore, the Actions will ensure that they will have negligible or very limited impact on IPs, mitigate negative impacts, foster respect for human rights, dignity, and culture of IPs, and promote development benefits by developing appropriate activities during the design phase of the action, including ensuring Free, Prior and Informed Consent where applicable.

Disability

As per OECD Disability DAC codes identified in Section 1.1, this action is labelled as D1. The Action will develop specific activities during the design phase to include persons with disabilities, following the principles of leaving no one behind throughout the programme cycle. The Action will allocate resources and design dedicated activities to increase access for women, DAG to green energy solutions including the creation of inclusive spaces that foster the active participation of all groups.

Reduction of inequalities

By aiming at an improved access to energy for the marginalised communities, this programme will reduce inequalities.

Democracy

The Action will enhance communication, participation, and feedback throughout the implementation of the implementation of the action in order to ensure meaningful and inclusive participation of the rights holders. Their voice and participation will be increased so that they are able to influence local government in the allocation of resources and implementation in a responsive manner, such that the Action will enable right holders to have stronger governance at the three levels of government, increased and effective oversight functions, and become meaningful partners in the dialogue with government.

Further, the Action builds on the recommendations of the conflict sensitivity analysis conducted by the EU Delegation in 2021 and will address key recommendations such as using incentives to promote win-win solutions, harnessing the potential of innovation and new technologies to improve equitable access to resources, promoting inter-group collaboration, dialogue, and sharing, strengthening community-centred climate change resilience, and reducing conflict over natural resources while ensuring social cohesion amongst various social groups and between the citizen and the state. There will be a functional complaints responsive mechanism to deal with grievances in a timely manner, and the action will enhance communities, including minority groups, for feedback and communications during the identification and execution phases.

This Action also relevant to mitigate horizontal inequalities and promote a participatory and inclusive model of development.

Conflict Sensitivity, Peace and Resilience

The Action adopts a conflict sensitivity and social cohesion approach to promote trust, citizen-state compactness, and socio-economic space to maximise economic opportunities, particularly for poor and disadvantaged communities, including People with Disabilities (PwDs). The Action will explore the broader context and mitigate potential negative impacts on the social, economic, and environment, the three pillars of sustainability, in line with the “do-no-harm” principles. The Action conducts awareness-raising campaigns, provides appropriate assistive devices to improve the mobility of PwDs, job placement and skill and vocational training, including assistive devices, and provides a PwD-friendly environment in the office as part of the decent work approach.

Disaster Risk Reduction

The Action will assess the necessity of integrating Disaster Risk Reduction, mainly the lessons learned from the EU Disaster Preparedness Actions in line with the Sendai Framework, as well as build on existing resilience capacities, integrating the lessons learned from the EU’s humanitarian-development-aid nexus in Nepal.

Other considerations if relevant

The Action is in line with the priorities set by various EU policies and action plans to reduce GHG emissions by increasing access to green and reliable energy solutions, in particular, promoting renewable access and energy efficiency.

3.4 Risks and lessons learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Political	Increasing political power struggles and unresolved ethnic, social, and regional conflicts or tensions in relation to natural resources and land may escalate. Return of general strikes, riots, and violent clashes.	Medium	High	Mechanisms for coordination between the various stakeholders and acting as an honest broker. A systematic, participatory do-no-harm approach will be adopted to ensure that no intentional harmful impacts occur, that inequalities are not worsened, and that due diligence is implemented.
Health	Dengue and other outbreaks have huge potential to affect the efficiency of the Action. In Nepal, the health care situation is inadequate.	Medium	High	Special attention is paid to staff safety in implementation. Dengue and COVID-19 safeguard measures and restrictions will be enforced by implementing partners and promoted to all stakeholders.
Political	Short-term changes in political priorities, reduced decision-making capacities, low resource allocations, and a reduced ability to act must be expected.	High	Medium	Steering and implementation of the action will be designed flexibly to allow for short-term adjustments to changing project environments.
Political	Risk of corruption and nepotism when, weaknesses in the commercial standards of partners, audit complaints, and time-consuming and costly follow-up management.	Medium	Medium	Use transparent award processes and concrete decision-making criteria. Additional personnel resources are needed to safeguard compliance with commercial standards.

Operational	Movement of project personnel and transport of equipment to Action locations, and delay of procurement processes, jeopardise timely completion	High	High	The conceptualisation and robust design and provisions in the tender document to discouraging the non-performing contractors, and adopt lesson learned from on-going Chilime-Trishuli Transmission Line project.
Social	Limited engagement in favour of gender-responsive/transformational approaches, and people living with disabilities by the targeted institutions and non-state actors.	High	Medium	The project will provide adequate resources to work with institutions and non-state actors on the importance of integrating gender-responsive/transformational approaches, and the rights of people living with disabilities

The action builds on the experience of GREEN (AAP 2021), as well as other programmes implemented by GIZ and KfW. Progress is being made in the transmission infrastructure of the area, notably with KfW and ADB investments, preparing for the distribution intervention in this Action. The action introduces market-based incentive mechanisms, leveraging larger sums of private investment, allowing for economies of scale and bringing down technology cost.

The Action builds on the efforts of the regional action EU-Energy Connectivity in South Asia, improving energy security and increased access to clean and affordable electricity, while improving policy and regulatory frameworks and investment climate to promote Cross Border Energy Trade, as well as building the capacity of regional institutions and governments to engage in policy dialogue on energy integration.

The Action also complements the capacity-building efforts under EU-Energy Connectivity in South Asia, a regional action implemented under the Global Gateway and Team Europe Initiative.

In addition, the Action is in line with the ongoing Accelerating Climate-Smart and Inclusive Infrastructure in South Asia (ACSIIS), a regional project implemented in Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka.

Similarly, the Action also complements the South Asia Sub-regional Economic Cooperation Electricity Transmission and Distribution Strengthening Project, a pipeline project to be funded under the Asia Pacific Investment Facility, in partnership with ADB, Norway, the OPEC Fund for International Development, and the SAARC Development Fund, supporting the South Asia Sub-regional Economic Cooperation Electricity Transmission and Distribution Strengthening Project.

The Action also contributes to promote awareness, and necessary environmental and social impact assessment to prevent grievances and social conflict. In particular, concerning GESI, social perceptions consider modern energy as “men’s domain” limit the opportunities for women to take full advantage of new energy sources, particularly in entrepreneurship. An AEPC study indicates that existing income inequities determine the ability to benefit from energy. The participation of women in decision-making positions continues to be limited, they are poorly represented in positions such as technicians, department heads, etc. Women’s ownership of energy technologies remains low. The action adopts to intersectionality approach to look into multiple vulnerability due to caste, class, ethnicity, gender, age and disability to ensure a greater GESI aspect in the action.

Moreover, the Action will promote women's participation and leadership in decision-making processes related to energy service delivery and inclusive facilities. The Action will create spaces for women in all their diversity and their voices to be heard through discussions and consultations at women's and gender-sensitive forums, including capacity building for women in order to engage them in policy dialogue and advocacy activities that will contribute to addressing gender inequalities and making women more inclusive in terms of their’ needs and priorities while accessing energy services and facilities.

3.5 The Intervention Logic

The underlying intervention logic for this action is that in order to improve the energy supply in Nepal so that it is reliable, green and inclusive, the Action will invest, on the one hand, on improving the distribution systems, and on the other, supporting the enabling environment in both public and private sectors. The action will allow the area of

intervention to make the most of the increased supply and transmission investments currently implemented and, in the pipeline, including from EIB.

The improved distribution will in turn create opportunities for increased uptake of green technologies, as well as e-mobility and electric cooking. These technologies will be supported by the Action, with specific attention to those that can contribute to mitigation (such as e-vehicles and e-cooking), and those that have a positive impact on women's time poverty and contribute to the care economy.

A number of initiatives for the enabling environment will accompany the hardware support to ensure sustainability and inclusion. These will work on the legal frameworks and their application at the three tiers of government, on capacity of actors both in the public sector, with improved capacity for operating, maintaining and monitoring the grid, and the private sector, looking at both the access to financing for businesses working in the space, and green solutions for consumers. In particular, business led by women and disadvantaged groups will have a specific window to receive support in the decision-making process.

3.6 Logical Framework Matrix

<p>This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.</p> <p>On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.</p> <ul style="list-style-type: none"> - At inception, the first progress report should include the complete logframe (e.g., including baselines/targets). - Progress reports should provide an updated logframe with current values for each indicator. - The final report should enclose the logframe with baseline and final values for each indicator. <p>The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.</p> <p>The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.</p>						
Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Contribute to increase reliable, green and inclusive electricity supply in Nepal	1. Grid availability and reliability (<i>improvement to be quantified</i>). 2. CO ₂ emissions per year (tons). 3. Number of households with improved electricity disaggregated for female led households and disabilities.	1. to be set after the baseline study 2. to be set after the baseline study 3. to be set after the baseline study	1. to be set after the baseline study 2. to be set after the baseline study 3. to be set after the baseline study	1. Government reports/national statistics/NDC report 2. Government reports/national statistics 3. project reports	<i>Not applicable</i>

Outcome 1	The energy sector in Nepal is greener and more inclusive	1.1 number of policy measures implemented for a greener and more inclusive energy sector in all three tiers of government with support of the project			1.1 Intervention's monitoring and reporting system	Accurate and reliable Government reporting and statistics system in place, with sufficient available data, Consistent political priorities and willingness to cooperate from partner Government
		1.2 number of measures improving the planning, operation and management of the transmission and distribution grid of Nepal implemented with support of the project	1.1.0	1.1 to be set after the baseline study	1.2 Intervention's monitoring and reporting system	
		1.3 number of people with access to RE or EE technologies and services with support of the project, disaggregated by sex and status of Disadvantaged Groups.	1.2.0	1.2 to be set after the baseline study	1.3 Intervention's monitoring and reporting system	
		1.4 Increased participation of women and girls in all their diversity in decision-making processes on environment and climate change issues (GAP III indicator)	1.3.0	1.3 to be set after the baseline study		
Outcome 2	Stable, and reliable supply increases access to energy services and facilities	2.1 percentage of the financed grid infrastructure technically available one/ five years after installation.	2.1. to be set after the baseline study	2.1 to be set after the baseline study	1. Government reports/national statistics/NDC report	
		2.2 number of sales of e-vehicles, e-cooking and e-heating (and other relevant technologies) (<i>increase to be quantified</i>).	2.2. to be set after the baseline study	2.2 to be set after the baseline study	2. Government reports/national statistics/	
Output 1.1 relating to Outcome 1	Gender-equitable and disadvantaged groups focused policies are developed and implemented at national, provincial and local level.	1.1.1 number of Municipal Energy Plans developed with proven participation of women and disadvantaged groups actively supported by the project.	1.1.1.0	1.1.1 to be set after the baseline study	1.1.1 Intervention's monitoring and reporting system, events' and activities'	Consistent political priorities and willingness to cooperate from partner Government
		1.1.2 number of measures for the implementation of RE & EE	1.1.2.0	1.1.2 to be provided during intervention		

		policies/regulations/guidelines/action plans undertaken.			attendance and related reports 1.1.2 Intervention's monitoring and reporting system, events' and activities' attendance and related reports	
Output 1.2 relating to Outcome 1	Inclusive clean energy technologies are installed and operational	1.2.1 % of Engineers, field technical staff (e.g., linesman, supervisor), and managerial staff of entities (e.g., NEA, Community Rural Electrification Entities (CREEs), isolated mini grid systems owned by LGs/Cooperatives/User's committees) with proven increased knowledge of grid management (at least 20% women) 1.2.2 number of innovative tools (e.g., BESS, WAMs etc.), processes or technologies with dissemination potential that are adopted by entities.	1.2.1 to be set after the baseline study 1.2.2.0	1.2.1 to be set after the baseline study 1.2.2 to be provided during intervention	1.2.1 Intervention's monitoring and reporting system, events' and activities' attendance and related reports 1.2.2 Intervention's monitoring and reporting system, events' and activities' attendance and related reports	Consistent political priorities and willingness to cooperate from partner Government
Output 1.3 relating to Outcome 1	Consumers with special focus on women and disadvantaged groups have improved access to green energy solutions	1.3.1 number of relevant actors (disaggregated by sex, disability status) whose awareness/abilities have been raised with project support. 1.3.2 number of innovative RE and EE technologies (e.g., Agri-PV, PV cold storage) or business models (e.g., Pay as you go,) installed and demonstrated with project support. 1.3.3 XX Mio EUR private or public sector investment in RE and EE (of which XX % targeting women, young	1.3.1.0 1.3.2.0 1.3.3.0	1.3.1 to be set after the baseline study 1.3.2 to be set after the baseline study 1.3.3 to be provided during intervention	1.3.1 Intervention's monitoring and reporting system, events' and activities' attendance and related reports 1.3.2 Intervention's monitoring and reporting system	Consistent political priorities and willingness to cooperate from partner Government

		professional and disadvantaged groups) with project support.			1.3.3 Intervention's monitoring and reporting system	
Output 2.1 relating to Outcome 2	New or upgraded, transmission and distribution infrastructure is installed and operational	<p>2.1.1 number of Constructed/ upgraded 132/33/11 kV substations, switching stations and/ or transformer stations by the project</p> <p>2.1.2 more than 300 kilometres of 11 KV line and more than 50 kilometres of 33 KV line will be constructed.</p> <p>2.1.3 more than 5 substations 132/33/11 KV will be constructed or upgraded by the project.</p> <p>2.1.4 more than 5 control and dispatch HV/MV facilities will be constructed/ upgraded by the project.</p> <p>2.1.5 reduction of losses at least by 20%, and supply outages by at least 20%.</p>	<p>2.1.1.0</p> <p>2.1.2.0</p>	<p>2.1.1 to be set after the feasibility study</p> <p>2.1.2 to be set after the feasibility study</p>	<p>2.1.1 Intervention's monitoring and reporting system</p> <p>2.1.2 Intervention's monitoring and reporting system</p>	
Output 2.2 relating to Outcome 2	Electricity supply from clean energy sources for e-cooking, e-transport, space and water heating and cooling, and export electricity rooftop solar to grid in operation	<p>2.2.1 grid capacity in the project area (MW)</p> <p>2.2.2 number of public and private charging stations for e-vehicles facilitated by the project</p> <p>2.2.3 number of residential and public building export of solar energy to the grid</p>	<p>2.2.1. to be set after the baseline study</p> <p>2.2.2.0</p>	<p>2.2.1 to be set after the feasibility study</p> <p>2.2.2 to be set after the feasibility study</p>	<p>2.2.1 Intervention's monitoring and reporting system, events' and activities' attendance and related reports</p> <p>2.2.2 Intervention's monitoring and reporting system, events' and activities' attendance and related reports</p>	

4. IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component: N/A

4.4 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁴.

4.4.1 Indirect Management with an entrusted entity

This Action may be implemented in indirect management with the GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). This implementation by this entity entails the activities necessary to achieve specific objective 1.

Similarly, this Action may be implemented in indirect management with the KfW (Kreditanstalt für Wiederaufbau). This implementation by this entity entails the necessary activities to achieve outcome specific objective 2.

The envisaged entities have been selected using the following criteria: Existing cooperation in the field of investments in the energy sector for the past 5 years, capacity in country to manage the investments.

The envisaged entities have been selected using the following criteria:

- existing cooperation in the field of technical cooperation in the energy sector for the past 5 years,
- capacity in country to manage the technical assistance proven by a staff of at least 4 people.
- extensive experience in the sector and ongoing projects,
- proven operational capacity and significant co-funding brought to the Action, and;
- a recognised partner by the Government of Nepal due their cooperation with experience in the energy sector in Nepal for many years.

In addition, GIZ experience in supporting the energy sector in Nepal for many years, extensive operational capacity in the field of energy and private sector development, proven by having successfully implemented 3 projects in the past 6 years with a budget above 2 million euros, sufficient staff (20 international staff and 200 local staff) and local offices in the provinces, and significant co-financing (more than 50% of the EU's contribution).

Similarly, on behalf of the German Ministry for Economic Cooperation and Development (BMZ) KfW Development Bank has supported Nepal for more than 50 years. KfW's three current sectors of intervention include Energy, Health and Sustainable Economic Development. In the Energy Sector, KfW currently has a

¹⁴ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

project portfolio of EUR 90.7 million (grant financing only). The volume of support for energy transmission and system automation amounts to EUR 63 million. The support is for two 220 KV transmission lines (Chilime-Trishuli and Lekhnath-Damauli) and for the modernisation of the Load Dispatch Centre that controls the entire transmission network in the country.

As part of the post-earthquake support (EUR 5 million), German Financial Cooperation through KfW's is financing the rehabilitation and improvement of damaged electricity distribution networks in two districts. A solar photovoltaic (PV) project (EUR 5.7 million) aims to provide access to electricity to more than 1,350 rural institutions (schools, health posts, and community water pumping schemes). The promotion of a grid-connected ground-mounted solar PV system (EUR 8 million) and commercial and industrial rooftop solar aims (EUR 9 million) to add about 24 MW of clean electricity to the national grid. All projects are implemented through Nepalese Project-Executing-Agencies (NEA and AEPC), which are in turn supported by full-time Project Implementation Consultants (PIC). Responsibility for portfolio management lies with KfW HQ in Frankfurt, which is supported by KfW Office Kathmandu.

Both KfW and GIZ would manage the budget for the implementation tasks: conducting procurement and grant award procedures and managing the resulting contracts, as well as supervising the expenditure of funds channelled through local implementing partner Nepal Electricity Authority (NEA) and selected federal, provincial, and local authorities.

The GIZ will ensure that relevant skills of grid technicians will be available, advise on regulatory issues, help to develop concepts for an increased use of electricity instead of fossil or biofuels, etc. (technical assistance, capacity building and institutional strengthening).

KfW, the German Development Bank, is responsible for infrastructure finance, i.e., will finance NEA's investments in the power supply grid. KfW helps to identify and design the measures (at the moment, the comprehensive feasibility study is ongoing financed by the German Ministry of Economic Cooperation and Development, to finance the Project Implementation Consultant (PIC) for the tendering and supervision of works, to carry out regular progress control missions, etc. (financial assistance).

KfW would build upon the results of the Technical Assistance to a large extent, on improved skills, enhanced regulation, etc., mitigating the sustainability risks and improving the effectiveness of the investments.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.4.3.

4.4.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case the implementation modality needs to be change from indirect to direct management mode, the action would be implemented by procuring services for the implementation of the two specific objectives.

4.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Budget Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified (amount in EUR)
Implementation modalities – cf. section 4.4		
<u>Specific Objective 1</u> Ensure that the energy sector is greener and more inclusive	8 000 000	4 000 000
Indirect management with GIZ	8 000 000	
<u>Specific Objective 2</u> Ensure that the improved access to energy increases uptake of clean energy technologies	15 580 000	30 000 000
Indirect management with KfW	15 580 000	
Evaluation – cf. section 5.2 Audit – cf. section 5.3	covered by another Decision	
Totals	23 580 000	34 000 000

4.7 Organisational Set-up and Responsibilities

A separate, tailor-made steering system will be set up for action in order to ensure the interaction of different actors in the cooperation system and to get the necessary support from the relevant decision-makers for the tasks and processes. The Action will be managed through a two-level functional steering system with a Steering Committee, and an advisory Committee. In the Steering committee, there will be direct participation in the steering decisions (EU, KfW, GIZ, NEA, Ministry of Energy, Water Resources, and Irrigation, Ministry of Finance, and representatives of involved financing institutions, public and private sector representatives, and members of organizations representing women, disadvantaged groups, and people with disabilities). This level will decide on the operational plans, review of progress against the approved operational plan, and adjustment to steering mechanisms.

The Advisory committee: (sub-national government representatives, department of industry, chamber associations, subject matter experts, a.o.) supports the Steering Committee. Function and contents of the committee meetings are: consultation before the decision or participation in the preparation of the decision, information about the control decision via the normal information channels, and thorough information about and explanation of the control decision.

The organizational set-up includes an active and meaningful participation of key stakeholders, including rights holders such women organizations and organizations representing vulnerable and marginalized groups and provides reasonable accommodation to allow participation of persons with disabilities.

For the coordination with other development partners and projects in the intervention area the already established Nepal Energy Sector Development Partners Meeting provides a viable coordination mechanism.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission will participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5. PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring

During the detailed planning of the Action and at the beginning of the implementation phase, the monitoring system is set up on the basis of the log frame/result matrix model and a data collection plan is drawn up. This impact-oriented monitoring system is accompanied by a systematic impact observation based on an indicator-based proof of impact. The indicator-based impact-oriented monitoring system takes the log frame/result matrix model as a starting point in order to be able to systematically observe the change processes planned in it (intended impacts and goals, desired overarching impacts; outcomes, outputs, expected risks and important framework conditions).

Principal responsibility of data collection and reporting will go to the KfW and the GIZ and the main government implementation partner NEA. Hence, existing monitoring systems and capacities of the KfW and GIZ and NEA will be used. Additional support for the improvement and strengthening of partner M&E systems will be part of the detailed action planning and budget accordingly. In case baselines and targets are not yet available (see log frame) baseline surveys/studies will be conducted and budgeted. Additionally, data collection and provision will fall to stakeholders of the action. Required resources to enable these actors to do that will be defined and budgeted during the detailed planning of the action. Results on gender equality and decent work approach will be monitored as close as possible and with participation of the intended target beneficiary level.

During the implementation of the measure, monitoring data is continuously collected, assessed, and analysed. These provide information on the status of the implementation of the measure as well as possible adjustments. They thus form the basis for strategy and management decisions for steering the action in the steering committee and on operational level.

As the monitoring data enables proof of effectiveness, quality assurance and accountability, it will form the basis for evidence-based communication internally and externally, thus also promoting the learning process in the action and flow into knowledge management. All monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity. Indicators shall be disaggregated at least by sex whenever possible and meaningful.

5.2 Evaluation

Having regard to the nature of the action, a midterm and final evaluation will be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action will set the ground for an investment pipeline. For that purpose, the evaluation's scope may be extended to include potential scaling up of actions or other avenues of research that will support evidence-based decision-making.

The Commission shall inform the implementing partner at least 1 month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation

experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination¹⁵. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted through a different financing agreement. Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

¹⁵ See best practice of evaluation dissemination