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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

of the Commission Implementing Decision on the financing of the annual action plan in favour of Nepal for 2021

**Action Document for Green Recovery and Empowerment with Energy in Nepal (GREEN)**

**ANNUAL ACTION PLAN**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23 of NDICI-Global Europe Regulation.

**1. SYNOPSIS**

1.1. Action Summary Table

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	Green Recovery and Empowerment with Energy in Nepal (GREEN) CRIS number: INTPA ASIA/2021/043-146 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	Yes Nepal’s Team Europe Initiative on Green Recovery
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Nepal
<b>4. Programming document</b>	Multi-Annual Indicative programme for Nepal 2021-2027 <sup>1</sup>
<b>5. Link with relevant MIP objectives/ expected results</b>	Priority area 1: Inclusive Green Growth Specific objective 1: To support the implementation of Nepal’s Nationally Determined Contribution (NDC) Expected results 1.a: Increased access to clean energy and 1.b: Increased energy security
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Energy (230)
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): SDG 7 (affordable and clean energy) Other significant SDGs (up to 9) and where appropriate, targets: SDG 1 (no poverty), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry,

<sup>1</sup> 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.

	innovation and infrastructure), SDG 12 (responsible consumption and production), SDG 13 (climate action), and SDG 17 (partnerships for the goals).				
<b>8 a) DAC code(s) <sup>2</sup></b>	Main DAC code – 230 Energy Sub-code 1 - 23183 Energy conservation and demand-side efficiency 40% Sub-code 2– 23210 Energy generation, renewable sources - multiple technologies 40% Sub-code 3 – 23110 Energy policy and administrative management 20%				
<b>8 b) Main Delivery Channel</b>	Channel 1 13000 - Member State Organisation (Delegated co-operation)				
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" 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				
<b>10. Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	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"/>	
	Trade development	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	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"/>	
	<b>11. Internal markers and tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
		Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

		<input type="checkbox"/>	<input type="checkbox"/>
Connectivity Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Migration (methodology under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Possible Inequalities (methodology under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>			
<b>12. Amounts concerned</b>	Budget line: BGUE-B2021-14.020131-C1-INTPA Total estimated cost: EUR 6 750 000 Total amount of EU budget contribution EUR 4 500 000 This action is co-financed in joint co-financing by: - Germany for an amount of EUR 2 250 000		
<b>MANAGEMENT AND IMPLEMENTATION</b>			
<b>13. Type of financing<sup>3</sup></b>	<b>Direct management</b> through Procurement <b>Indirect management</b> with GIZ		

## 1.2. Summary of the Action

Despite its potential for clean energy generation, Nepal's social and economic development suffers both from energy deficit and inefficient use of energy. Around 27% of the electricity in the central grid is imported from India, mostly coal-generated power. Power fluctuations, low voltage and unscheduled interruptions force industry, trade and households to use their own sources of power supply using diesel generators. Energy is the second biggest source of greenhouse gases (GHG) in Nepal (29%),<sup>4</sup> after agriculture.

18% of the population receives electricity from renewable energy sources such as off-grid hydropower plants and solar systems. Even so, around four million households in Nepal still do not have access to clean energy options for cooking, lighting, and heating. Women and the poorest communities are particularly affected. Increasing energy efficiency, and transforming the share of traditional energy into energy from renewable sources are two clear pathways to mitigate GHG emissions that could also benefit the most vulnerable populations.

The revised 2<sup>nd</sup> Nationally Determined Contributions (NDCs), National Climate Change Policy (2019), and the 15<sup>th</sup> National Development Plan lay the government's priorities in the sector. These include the development of clean energy infrastructure, reducing GHG emissions contributing to green economic growth, climate resilient society, and improving the living conditions of people. 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.

Nepal's commitments to increase renewable energy and reduce GHG emissions depend on international backing, from great infrastructure loans (EIB, WB, ADB), to support to the Ministry of Energy, Water Resources and Irrigation (MoEWRI). Renewable energy has often been supported with upfront subsidies, which has limited the ownership and sustainability of the projects. This model has failed to provide a clear pathway for the mobilisation of private capital in renewable energy (RE) and energy efficiency (EE), therefore limiting the scale of investment to public and donor-funded grants.

<sup>3</sup> Art. 27 NDICI

<sup>4</sup> 2019 USAID Nepal GHG Emissions Factsheet

The action will work with existing government funded initiatives by providing clear, sound, sustainable models for RE and EE investment, including in Public Private Partnerships (PPPs) ventures, and the technical capacity to bring them to market, and promoting EU and its Member States' role in Nepal's energy transition. The action proposes to increase the sustainable consumption and production of energy and materials, reducing carbon footprint by promoting both the use of RE and adoption of EE practices by private and public enterprises, following a circular economy, and decent work approaches as well as increasing private sectors' investment in inclusive expansion of RE and EE with a strong focus on women and groups living in vulnerable situations.

The action will support/complement two mechanisms on both the supply and demand side of private sector investment in RE and EE. On the one hand, it will support the government's market-based incentive mechanism (challenge-fund), and on the other hand, it will facilitate PPPs with private sectors. The action also serves to influence policy makers to promote a circular economy as a viable pathway towards achieving a climate neutral, resilient, sustainable, and inclusive society. The underlying intervention logic for this action is that the action will first leverage 'proof of concept' interventions improving the energy efficiency and resource consumption in public industries, to increase attractiveness and interest of the private sector in similar, privately funded operations, in compliance with due diligence and UN principles on Business and Human Rights.

The action mainstreams climate change, environmental protection, and disaster risk reduction, and, applying the human rights based approach to promote human rights, democracy, gender equality, the rights of persons with disabilities, the inclusion of people living in the most vulnerable and marginalised situations, living in severe poverty, rights of indigenous peoples (including Free, Prior and Informed Consent when relevant) discriminated castes or ethnic minorities, vulnerable women, children, and youth, following principles of leave no one behind throughout the programme cycle. More specifically, it develops specific activities to promote gender equality, women's and girl's empowerment and gender transformative change, addressing knowledge gaps in the gender analysis in the private and public sector enterprises, renewable energy access, energy efficiency and access to finance, including dedicated governance activities to work with duty bearers (supply side) and right holders (demand side) governance, a) applying all human rights for all; b) meaningful and inclusive participation and access to decision-making; c) non-discrimination and equality; d) accountability and rule of law for all; and e) transparency and access to information supported by disaggregated data.

The action builds on the recommendations of the conflict analysis screening (CAS) conducted by the EU Delegation in 2020-2021 while exploring the broader context and mitigating potential negative impacts on the social, economic and environment, the three pillars of sustainability, in line with the "do-no-harm" principles.

The action is part of the Team Europe Initiative "Green recovery", and promotes a TE approach to support the priorities set by various EU policies and actions plans and the overarching EU Green Deal: EU action plan on Towards a Zero Pollution Ambition for Air, Water and Soil, Building a Healthier Planet for Healthier People, and the new Circular Economy Action Plan, the EU Gender Action Plan III, including and Nepal's Relief, Recovery and Resilience Plan to enable a green, resilient and sustainable recovery from the COVID-19 pandemic, in line with the strategies set in the above documents. The action contributes to SDGs 1 (no poverty), 5 (gender equality), 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 12 (responsible consumption and production), 13 (climate action), and 17 (partnerships for the goals).

'The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this annual action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' 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.'

## 2. RATIONALE

### 2.1. General Context

Nepal is a geographically and ethnically diverse, land-locked Himalayan country of about 30 million inhabitants, ranking 142 out of 187 on the Human Development Index 2020. Following the 2006 Comprehensive Peace Agreement, the country embarked on a decade long transition to a federal republic, culminating in the promulgation of a new constitution in 2015. This kick-started a major restructuring of the previously unitary state towards a federal republic, with 7 provincial governments (PG) and 753 local governments (LG), consolidated through the 2017 elections for the 3 tiers of government.

Nepal's two overarching objectives are to finalize the federalism reform, effectively localising its national policies and strategies at provincial and local levels, and to graduate out of Least Developed Country (LDC) status by 2026 and into middle-income status by 2030. As a result of the COVID-19 pandemic, GDP growth is expected to decline to 1.5 to 2.8% in the 2021/22 budget year. Furthermore, a political crisis starting in late 2020 has ended the relative political stability in the country after the 2017 elections.

Poverty and social inequality are still major challenges. Nepal's cultural, linguistic, ethnic and religious diversity goes along with strong social stratification, which is reflected in access to and control over political and economic resources by a reduced part of the population. In 2019, 39% of the population lived in poverty, and 8% in extreme poverty; with women, people with disabilities, people of lower castes, and indigenous<sup>5</sup> minorities overrepresented.

Nepal's social and economic development suffers from an energy deficit and inefficient use of energy, which is often to the detriment of the poorest and most marginalised sectors of the population<sup>6</sup>. Generation capacity (1 580MW) is well below peak demand (>1 500 MW). Transmission and distribution losses are high and power quality is low. Despite the energy deficit, the use of energy is inefficient. 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 respectively.

Traditional energy sources represent more than 60% of the energy mix; they include fuel, wood, agricultural residues, and animal dung, and is still the most prevalent energy for cooking. Commercial sources are fossil fuels and electricity; electricity is largely generated from hydropower and imports from India, mostly from coal fired power plants. Alternative energy sources amount to only 3 % of energy: micro hydro, solar, wind, and biogas. Energy is the second biggest source of greenhouse gases (GHG) in Nepal (29%),<sup>7</sup> after agriculture, despite the country's potential for clean energy. Increasing energy efficiency, and transforming the share of traditional energy into energy from renewable sources are two clear pathways to mitigate GHG emissions that could also benefit the most vulnerable populations.

The government has given a high priority to the development of energy infrastructure to build the foundation for economic growth through productive sectors such as agriculture and industries, and improve the living conditions of people. Nepal's revised 2<sup>nd</sup> NDC (December 2020) introduces quantitative targets for GHG emission reductions, especially in the energy and transport sectors. It aims at expanding clean energy generation from approximately 1 400 MW to 15 000 MW, (5-10% target from renewable energy). Of this, 5 000 MW is an unconditional target to ensure that 15% of the total energy demand is supplied from clean energy sources by 2030. The 15<sup>th</sup> National Development Plan (NDP, 2019-2024) aims to achieve a ratio of 12% contribution of renewable energy in total energy consumption by 2023/24. The National Climate Change Policy (2019) which aims as well at the use of low carbon and energy efficient and green technologies in industry, transport, physical infrastructure, and tourism sectors. The government's goal is to supply all households in the country with electricity by 2023.

The current energy policy framework underscores the central role of RE and EE to achieve NDC and SDG targets.<sup>8</sup> These are also in line with the Government of Nepal and Development Partners' joint statement for Nepal's Relief, Recovery and Resilience Plan to enable a green, resilient and sustainable recovery from the COVID-19 pandemic. However, Nepal's commitment to increase renewable energy and reduce GHG emission largely depends on international support on financing, technology transfer and/or capacity building. Development partners are very present in the energy sector, from hydroelectric and transmission infrastructure loans (EIB, WB, ADB), to longstanding, ongoing support to the Ministry to prepare and implement national strategies improving access to, quality and sustainability of energy. Germany, Norway, UK and Switzerland are currently supporting the ministry and its relevant agencies.

The existing model of high subsidies for renewable energy have limited the ownership and sustainability of the projects, and failed to provide a clear pathway for the mobilisation of domestic and international private capital in RE and EE, therefore limiting the scale of investment to public and donor-funded grants. In order to increase interest for RE and EE investment, the Ministry of Energy, with support from Germany, UK and Norway, has created the Sustainable Energy Challenge Fund to provide Viability Gap Funding to make marginally feasible projects bankable. The action will work in complementarity with the Challenge Fund and other government initiatives, by providing

<sup>5</sup> Nepal is the first Asian country to ratify ILO Convention 169 on Indigenous peoples in 2007. Approximately 37% of Nepalese population self-identify as indigenous people.

<sup>6</sup> For example, the 2020 Human Development Report underlines energy poverty in the West of Nepal.

<sup>7</sup> 2019 USAID Nepal GHG Emissions Factsheet

<sup>8</sup> White Paper 2018, Ministry of Energy, Water Resources and Irrigation

clear, sound, sustainable models for RE and EE investment, including in PPP ventures, and the technical capacity to bring them to market, and promoting EU and its Member States' role in Nepal's energy transition.

The action is in line with the priorities set by EU policies and actions plans and the overarching EU Green Deal, which promote energy efficiency while supplying clean, affordable and secure energy further decarbonizing the energy system to reach climate objectives: EU action plan on Towards a Zero Pollution Ambition for Air, Water and Soil, Building a Healthier Planet for Healthier People, and the new Circular Economy Action Plan, including the updated European Bioeconomy Strategy 2012. The action will also contribute towards the EU's objectives set by the Gender Action Plan III (2021-2025), in particular addressing the green transition and the digital transformation, and economic empowerment. The action contributes to SDGs 1 (no poverty), 5 (gender equality), 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 12 (responsible consumption and production), 13 (climate action), and 17 (partnerships for the goals). Concerning Gender Equality and Social Inclusion (GESI), the energy sector has a knowledge gap, particularly about (i) how social inequities influence the outcomes in energy projects; (ii) what the differential needs of men, women, and socially excluded groups are; and (iii) the nature of barriers that women and socially excluded groups experience while seeking to benefit from energy services. Energy is considered as a "men's domain", limiting the opportunities for women. Existing income inequities also determine the ability to benefit from energy. The participation of women in decision-making positions in energy projects continues to be limited. Women's ownership of different technologies also remains low.

Renewable energies depending from natural resources, such as water, sun and wind, are susceptible to climate change, due to changing weather and rainfall patterns as well as melting glaciers. Unequal access to these creates tensions, especially where there are competing uses (e.g. irrigation, drinking water, hydropower, or industrial use).

## 2.2. Problem Analysis

Priority Area and sectors: Energy conservation and demand-side efficiency

Short problem analysis:

Nepal's use of energy is inefficient. Despite the measures that the government has put in place, such as Nepal's National Energy Efficiency Strategy and the Biomass Energy Strategy 2017, energy efficiency has not been able to get sufficient traction. Some of the barriers are: i) The productive sector and the responsible government institutions lack awareness of the economic and environmental benefits of energy efficiency and circular economy principles, ii) lack of policies to create, expand and commercialise an energy efficiency market and/or measures, iii) lack of generalised capacity in the private sector to identify and solve energy and resource inefficiencies and iv) limited access to finance to adopt energy efficiency technologies, service and HR capacities.

Nepal's private sector is largely dominated by Micro, Small and Medium Enterprises (MSMEs). The major constraints of the private sector investment are unstable political situation and governance, lack of conducive business environment, clear policies, regulatory frameworks, and implementation. In particular, to the energy sector, one of the key constraints is unreliable energy supply, which is often inadequate to meet the increasing demand. As a result, businesses have to rely on expensive diesel power generation, resulting in higher operational costs.

It is estimated that the GHG emissions from waste would increase from 4.7 MtCO<sub>2e</sub> in 2019 to 6.1 MtCO<sub>2e</sub> in 2030 and 8.5 MtCO<sub>2e</sub> in 2050. The action will identify the appropriate EE and RE technologies during the design phase of the action to estimate the GHG emission reduction. The action will contribute to the revised NDC targets, in particular those concerning biogas plants (household and large scale) by 2025, and those ensuring 15% of the total energy demand supplied from clean energy sources by 2030.

The action's stakeholders are the Ministry of Energy, Water Resources and Irrigation, the Government's Alternative Energy Promotion Centre (AEPC), provincial 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. Women groups, such as the Federation of Weomen Entrepreneurs Associations of Nepal (FWEAN).

Priority Area and sectors: Energy generation, renewable sources - multiple technologies

Short problem analysis:

Nepal suffers from a marked shortage of energy and electricity, which leads to energy poverty and hinders socio-economic development. For the central electricity grid, 37% of the total amount of electricity of 8 200 GWh is generated by the state electricity supplier Nepal Electricity Authority (NEA), further 36% is supplemented by the independent electricity producers and the remaining around 27% is imported from India, mostly coal-generated power. 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 in Nepal. Rising imports of electricity and fuel increase the country's trade deficit and the dependence on India.

The use of renewable energy sources in Nepal is still small although it has increased by more than 50% since 2005. 18% of the population receives electricity from renewable energy sources such as off-grid hydropower plants and solar systems. Even so, around four million households in Nepal still do not have access to clean energy options for cooking, lighting, and heating. There is a lack of accessible technologies for farming. Women and the poorest communities are particularly affected.

Renewable energy projects in Nepal have been highly subsidised upfront for over two decades, both from the government and international development partners, making ownership and sustainability key challenges. In addition, current subsidy mechanisms in the country are not cost-efficient nor geared towards the financial sustainability of projects. In order to increase private investments in the sector there is a need to demonstrate sustainability, through innovative business models or other appropriate means.

The federalization process is ongoing with devolution of power to local and provincial governments. This change has provided opportunities and posed challenges especially in the promotion of renewable energy (RE) activities in the rural areas through private sector involvement to shift the paradigm from the subsidy driven approach to commercial led approach.

The private sector, including financial institutions, lack capacities for driving the market development of RE. Local authorities lack the technical knowledge on energy. Cooperatives and micro-finance institutions are a good entry point to identify and promote clean energy technology products for rural communities.

### 3. DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to **increase sustainable consumption and production of energy and materials in the public and private sectors**. The action will aim to reduce the carbon footprint of energy in the public and private sectors by promoting both the sustainable and inclusive use of renewable energy and the adoption of energy efficiency practices.

The Specific Objectives (Outcomes) of this action are:

**1 Private and public enterprises adopt clean energy and resource efficient practices, and decent work approach**

Public enterprises will be supported to implement resource efficiency measures with significant savings potential, following a circular economy and decent work approach.. The benefits of the measures in the public sector will serve as demonstration of concept to develop business cases for interventions in the private sector.

**2. Increased private sector investment into inclusive expansion of RE and EE with a focus on women and disadvantaged groups**

The action will support/complement two mechanisms on both the supply and demand side: it will support the government's market-based incentive mechanism (challenge-fund) with technical assistance, it will facilitate Public Private Partnerships (PPPs) with Micro Finance Institutions (MFIs)/Cooperatives to promote clean energy products. The will both be supported with technical assistance, improving the quality of the investments and broadening access.

The Outputs to be delivered by this action contributing to Outcome 1 (or Specific Objective 1):

- 1.1 Public enterprises (state and community owned industries and utilities) have identified and implemented economically advantageous resource efficiency measures. ("proof of concept")
- 1.2 Follow-on private investment mechanisms for EE are conceptualised.

contributing to Outcome 2 (or Specific Objective 2):

- 2.1 Market-based incentive mechanisms for investment in clean energy are established and are accessed by private sector with a special target on groups living in vulnerable situations and women.
- 2.2 Loans for RE technologies are made available to end-users in rural and semi-urban areas, including a focus on women.

## 3.2 Indicative Activities

### Activities related to Output 1.1

- Establishment of grant pipeline and selection criteria (e.g. high potential for GHG emission reduction and resource efficiency improvement, sector status, visibility decent work, GESI, social and environmental due diligence) for participation in action.
- Identification of suitable public enterprises and conduct environmental/investment grade energy audits to determine efficiency measures and investment requirements.
- Agreement on and implementation of identified efficiency measures to realise energy savings, GHG reduction emissions, and resource efficiency improvements.
- Agreement on and implementation of identified decent work and gender equity and social inclusion approaches.
- Facilitation of financing streams for efficiency investments, while simultaneously improving knowledge and capacity of actors to implement these investments. It will be promoted through grants, based on identified economically advantageous efficiency measures such as challenge fund, loan guarantee mechanism, interest incentive, etc. and simultaneously providing technical advisory services for implementation and investments such as technology selection, business models, sources of financial resources, equipment, machinery, feasibility studies, etc.)

### Activities related to Output 1.2

- Analysing the economic and environmental benefits of implemented efficiency measures in the public sector as proof of concept to develop business cases for efficiency interventions in the private sector.
- Lobbying with political decision makers and commercial FIs for the establishment of financial incentive mechanisms through private banks.
- Assessment of interest by national commercial FI and international bi- and multilateral lenders to engage in loan products for private sector efficiency interventions.
- In communication with national commercial FI and international bi- and multilateral lenders conceptualization of a private sector resource efficiency investment pipeline.

### Activities related to Output 2.1:

- Develop specific calls for incentive mechanisms that mobilizes private investments, leads to sustainability of projects, and leverages economies of scale, promoting participation of rights-holders, transparency and accountability mechanisms. This includes specific call(s) with women and groups living in vulnerable situations as beneficiaries and consultation with indigenous communities as required.
- Awareness campaign, including technical advisory support ensuring disadvantaged groups, including people with disabilities, active involvement in the action.
- Ensure that robust risk assessment related to social and environmental unintended impacts are carried out, including impacts on land ownership and tenure if applicable.
- Build partnerships with technically strong institutions to operationalize the incentive mechanism (this includes, amongst others, the set-up of a technical review committee to evaluate the proposals)
- Capacitate private sector companies to develop feasible projects and competitive proposals for the calls
- Review, evaluate and select proposals/projects submitted by companies in cooperation with AEPC
- Monitor the implementation of the selected projects

### Activities related to Output 2.2:

- Identify RE technologies that are demanded by, and beneficial for the member base of large MFI, with a specific lens to inclusive technologies defined in a participatory manner with specific interest groups (PwD, women etc).
- Support MFIs to develop loan products for the selected RE technologies
- Capacitate MFIs (e.g. bank managers) to promote developed loan products and RE technologies
- Support MFIs in awareness raising campaigns
- Support MFIs to set up an effective monitoring system to record the loans provided through this programme

## 3.3 Mainstreaming: technical details

### **Environmental Protection & Climate Change**

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

The Strategic Environmental Assessment (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.

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### **Gender equality and empowerment of women and girls**

This action is labelled as G1. First, it addresses knowledge gaps in the gender analysis in the private and public sector enterprises, renewable energy access, energy efficiency and access to finance as well. Secondly, it will launch specific calls targeting excluded, deprived and economically disadvantaged women groups and girls and prioritise empowering them by increased access to energy services. It will also promote inclusive technologies chosen in a participatory manner.

### **Human Rights Based Approach**

The action will apply the Human Rights Based Approach and its five working principles of 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 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) governance. The action will design dedicated activities and allocate resources for governance intervention. Nepal is Party to all major human rights conventions and the constitution is guided by international HR laws and framework, therefore it is possible to work within the HR framework.

The action will have negligible or very limited impact to Indigenous Peoples (IPs). However, the action ensures to 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 to ensure Free, Prior and Informed Consent where applicable.

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### **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 principles of leave-no-one behind throughout the programme cycle. For example, this will include promoting sustainable and accessible technologies in the products that will be supported.

### **Democracy**

The action will enhance communication, participation and feedback throughout the action implementation 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 allocation of resources and implementation in a responsive manner such that the action will enable right holders for a stronger governance at the three levels of government, increased and effective oversight functions, and to become a meaningful partner in the dialogue with government.

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, to strengthening community centered climate change resilience and reducing conflict on 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 as well as the action will enhance communities including minority groups for feedback and communications during identification to execution phases.

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

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### **Conflict sensitivity, peace and resilience**

The action adopts conflict sensitivity and social cohesion approach to promote trust, citizen-state compact 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, provide appropriate assistive devices to improve the mobility of PwDs, job placement, skill and vocational trainings, including assistive devices and providing 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 actions plans to reduce GHG emissions by promoting energy efficiency while supplying clean, affordable and renewable energy sources decarbonising the economy.

### 3.4 Risks and lessons learnt

<b>Category</b>	<b>Risks</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating measures</b>
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.	Risk 1	<b>High</b>	<b>High</b>	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 unintentional harmful impacts occur, that inequalities are not worsened and due diligence is implemented.
Nepal will remain severely affected by COVID 19. The health care situation is inadequate. Limited availability of vaccines, herd immunity earliest 12/2023.	Risk 2	<b>High</b>	<b>High</b>	Special attention on staff safety in implementation. Corona safeguard measures and restrictions will be enforced by implementing partners and promoted to all stakeholders.
Short-term changes in political priorities, reduced decision-making capacities, low resource allocations and reduced ability to act must be expected.	Risk 3	<b>High</b>	<b>Medium</b>	Steering and implementation of the action will be designed flexibly to allow for short adjustment to changing project environments.
Risk of corruption and nepotism when, weaknesses in commercial standards of partners, audit complaints, time-consuming and costly follow-up management.	Risk 4	<b>Medium</b>	<b>Medium</b>	Use transparent award processes and concrete decision-making criteria. Additional personnel resources to safeguard compliance with commercial standards.
Movement and transport restrictions reduce access of project personnel to partners, delay procurement processes and jeopardize timely implementation.	Risk 5	<b>High</b>	<b>High</b>	Conceptualization and design of the action will allow for no-cost extension.

The action builds on the experience of the Nepal Energy Efficiency Program (NEEP) and the Renewable Energy in Rural Areas project (RERA). NEEP activities have improved the readiness to engage in an efficient and sustainable use of energy, however, there is still a lack of demonstrated implementations of economically advantageous industrial resource and energy efficiency measures. Macroeconomic projections show the potential savings for electrical and thermal energy for the eight most energy intensive sectors at around 155,000 MWh and 8,000,000 GJ. Progress has been made in the RE promotion at local governments, provinces and in private sector financing. However, current national subsidy mechanisms are inefficient, costly and do not lead to sustainable RE projects, resulting in renewable energy systems costing more, being of low quality, and coming without reliable after-sale-service than in comparable countries. Hence, the action introduces market-based incentive mechanisms, leveraging larger sums of private

investment, allowing for economies of scale and bringing down technology cost. Concerning Gender Equality and Social Inclusion, 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.

### 3.5 The Intervention Logic

The specific objective 1 is achieved by implementing economically advantageous efficiency measures in state and community owned industries and utilities applying a criteria-based (GHG emission and resource reduction potentials, sector status, visibility, willingness to apply decent work and GESI approaches) selection of suitable public enterprises and the subsequent conduct of environmental/investment grade energy audits to determine measures to realize energy savings, GHG reduction emissions, and resource efficiency improvements. Based on the assumption that enterprises will be attracted to engage in the programme with suitable incentives to overcome investment barriers, the required investments for the implementation of the identified measures will be subsidised via grants for the public enterprises and subsequently used to demonstrate environmental and economic advantages of resource efficiency measures adopting a circular economy approach. This could include measures such as improved machinery, reusing waste, reducing water usage, small scale renewable energy such as solar panels on roof, improved thermic insulation of buildings... This in return, together with a simultaneously developed investment pipeline for private sector enterprises through private banks and international bi- and multilateral lenders, should persuade privately owned enterprises to overcome investment concerns towards the reduction of energy related production cost as well as improvements in productivity through modernization. It also serves to influence policy makers to promote a circular economy as a viable pathway towards achieving a climate neutral, resilient, sustainable, and inclusive society. The underlying intervention logic for this action is that the action will first leverage proof of concept interventions improving the energy efficiency and resource consumption in public industries, to increase attractiveness and interest of the private sector in similar, privately funded operations. This will leverage subsidized investments in the public sector to increase the demand side of the private sector by improving understanding of the business case of energy investments, while simultaneously improving knowledge and capacity of energy actors to implement these investments.

Similarly, specific objective 2 is achieved by increasing private sector investment into the RE and EE market by the private sector, through technical assistance advisory services. The TA supports the operationalisation of the newly approved Challenge Fund by contributing to selection and implementation criteria for bankable projects. The action will support AEPC to develop specific calls, its criteria and to shortlist the winning applicants that qualify for gap funding, including specific calls aiming to increase participation from disadvantaged groups. On the demand-side, the proposed action will support private sector companies to develop eligible and competitive RE and EE projects and to realize new and innovative business models, with a specific lens to inclusive technologies defined in a participatory manner with specific interest groups (PwD, women etc). In addition, large Micro Finance Institutions (MFI)/Cooperatives will be capacitated to mobilize their own financial resources for these RE products. On the supply side, the action will target both private sector capacity to identify and prepare business cases for EE/RE interventions, and facilitation of financing streams for EE/RE investments, whether by supporting mechanisms to cover the viability gap for loans, by facilitating EE/RE products with microfinance institutions/cooperatives, or through an investment pipeline with private sector financing institutions.

The action ensures the involvement of disadvantaged communities, following a rights-based approach and the principle of “leave no one behind”, especially minority groups, marginalised and vulnerable communities, women, the young, and PwDs right from the identification to execution phases. The action conducts awareness raising campaigns, provide appropriate assistive devices to improve the mobility of PwDs, including assistive devices and providing inclusive environments in the workplace.

### 3.6 Logical Framework Matrix

At action level, the indicative logframe should have a maximum of 10 expected results (Impact/Outcome(s)/Output(s)). It constitutes the basis for the monitoring, reporting and evaluation of the intervention.

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.

- 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.

The indicative logical framework matrix will evolve during the lifetime of the action depending on the different implementation modalities of this action.

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.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

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
<b>Impact</b>	<b>To increase sustainable consumption and production of energy and materials in the public and private sectors</b>	1 Greenhouse Gas (GHG) emissions avoided (tonnes CO <sub>2</sub> eq)  2 Number of people owning and using energy-efficient technologies and low-carbon practices thanks to the Action, disaggregated by sex, ethnicity and/or rural-urban location	1 Baseline: 0  2 Baseline: 0	1 Target value: tbd (during baseline survey)  2 Target value: tbd (during baseline survey)	1 post-implementation audit reports, AEPC calculations and reports  2 AEPC and GIZ reports, midterm evaluation	<i>Not applicable</i>
<b>Outcome 1</b>	1. Private and public enterprises adopt clean energy and resource efficient practices, and decent work approach	1.1 Amount of potential savings generated though implemented resource (e.g. material, energy, water) efficiency measures (EU RF)  1.2 X % of participating enterprises commit to the introduction of decent work approaches	1.1 Baseline: 0  1.2 Baseline: tbd  1.3 Baseline: tbd	1.1 Target value: tbd  1.2 Target value: 60%  1.3 Target value: tbd	1.1 Post-audit measurements and calculations  1.2 signed commitments of enterprises,	Public enterprises interested in efficiency measures are willing to contribute significant

		1.3 % of women entrepreneurs in the green economy or circular economy (EU GAP III)			mid-evaluation report 1.3 post-implementation audit reports and reports of MFI	own resources and change of work approach
<b>Outcome 2</b>	2. Increased private sector investment into inclusive expansion of RE and EE with a focus on women and disadvantaged groups.	2.1 number of people that got access to clean energy technologies/service (new and/or improved access) (disaggregated by sex, disability, ethnicity, caste, location) 2.2 number of people that use RE technologies for the improvement of their living conditions or income situation, disaggregated by sex, disability, ethnicity, caste, location 2.3 Number and amount of outstanding loans in green financing to end users (Number of loans / Currency) (EU RF)	2.1 Baseline: 0 2.2 Baseline: 0 2.3 Baseline: 0	2.1 Target value: x 2.2 Target value: x 2.3 Target value: x	2.1. GIZ monitoring reports, reports of companies/MFIs receiving incentives/grants 2.2. GIZ monitoring reports, reports of companies/MFIs 2.3. GIZ monitoring reports, reports of companies/MFIs	incentive mechanism and loan products address the needs of private sector and end-users/women
<b>Output 1 related to Outcome 1</b>	1.1 Public enterprises have identified and implemented economically advantageous resource efficiency measures.	1.1.1 number of investment ready efficiency measure identified 1.1.2 number of implemented efficiency measures	1.1.1 Baseline: 0 1.1.2 Baseline: 0	1.1.1 Target value: 60 1.1.2 Target value: 20	1.1.1 Audit reports 1.1.2 GIZ monitoring reports	Public enterprises are interested in investing in efficiency measures
<b>Output 2 related to Outcome 1</b>	1.2 Follow-on private investment mechanisms for EE have been conceptualized.	1.2.1 number of commercial financing institutions expressing willingness to launch financing pipeline for efficiency measures 1.2.2 existence of developed financing pipeline for private sector	1.2.1 Baseline: 0 1.2.2 Baseline: No pipeline exists	1.2.1 Target value: 2 1.2.2 Target value: A pipeline is established	1.2.1 documented statements of commercial FIs 1.2.2 concept document	Commercial FIs are interested in offering loan products for efficiency measures
<b>Output 1 related to Outcome 2</b>	2.1 Market-based incentive mechanisms for investment in clean energy have been established and are accessed by private sector with	2.1.1 Amount of Private sector financing in EUR accessed through competition for RE promotion	2.1.1 Baseline: 0	2.1.1 EUR 1 million 2.1.2 Target: 1	2.1.1 Financial Report of agency	Private sector is interested to participate in

	a special target .on groups living in vulnerable situations and women	2.1.2 A special call targeting women and groups living in vulnerable situations as beneficiaries has been published	2.1.2 Baseline: 0		implementing mechanism 2.1.2 publication of call	calls to be developed
<b>Output 2 related to Outcome 2</b>	2.2 Loans for RE technologies have been made available to end-users in rural and semi-urban areas, including a focus on women	2.2.1 MFI have developed x loan products for RE technologies 2.2.2 x EUR loans have been disbursed to end-users (disaggregated by sex, age and disability, at a minimum)	2.2.1 Baseline to be established in 2022 2.2.2 Baseline: 0	2.2.1 Target: baseline + 10 2.2.2 EUR 300.000	2.2.1 Report of MFIs 2.2.2 Financial statements of MFIs	End-users have demand and interest for the loan products to be developed

## 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 42 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 Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>9</sup>.

#### 4.3.1 Direct Management (Procurement)

Procurement for services will be used for supporting activities related to market intelligence for outcomes 1 and 2 and community engagement. Procurement may also be used to review the implementation of the action to respond to shocks, crises and other contingencies. These will include, but not be limited to:

- Studies, including scoping studies and analytical studies supporting this action and other actions in future EU, Member States' or EDFI's engagement in Nepal in the area of this action, such as circular economy, energy efficiency and renewable energy.
- Technical assistance.
- Strategic Communication and Public diplomacy related activities.

#### 4.3.2 Indirect Management with a Member State Organisation

This action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). This implementation entails the implementation of all major activities to achieve outcomes 1 and 2 and supplemented with services (see 4.3.1)

The envisaged entity has been selected using the following criteria: recognised partner by the government of Nepal, with an experience in the sector of energy efficiency in Nepal of more than 5 years, experience in the support of private sector development in Nepal of more than 4 years, extensive operational capacity in the field of energy and private sector development proven by having implemented successfully 3 projects in the past 6 years with a budget above 2 million euros, sufficient staff (at least 10 international staff and 100 local staff) and local offices in the provinces, and significant co-financing (more than 50% of the EU's contribution).

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 4.3.1.

Exception to the non-retroactivity of costs

In the interest of capitalising on the ongoing activities of GIZ's current energy programme, which is very complementary and synergistic with this Action, and in order to align the implementation duration to GIZ's presence in the country, it is beneficial for the action to start as soon as possible. Therefore, the Commission authorises that the costs incurred may be recognised as eligible as of 1<sup>st</sup> September 2021.

<sup>9</sup> [www.sanctionsmap.eu](http://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.

#### 4.3.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances

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

#### 4.4 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, subject to the following provisions.

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).

#### 4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified (GIZ)
<b>Implementation modalities</b> – cf. section 4.4		
<b><u>Specific Objective / Outcome 1</u></b> <b>Private and public enterprises adopt resource efficient practices and decent work approach</b> , composed of	<b>1 875 000</b>	
Indirect management with GIZ	1 800 000	650 000
Procurement	75 000	N.A.
<b><u>Specific Objective / Outcome 2</u></b> <b>Increased private sector investment into inclusive expansion of RE and EE with a focus on women and disadvantaged groups</b> , composed of	<b>2 275 000</b>	
Indirect management with GIZ	2 200 000	1 600 000
Procurement	175 000	N.A.
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	<b>100 000</b>	N.A.
<b>Contingencies</b>	<b>150 000</b>	N.A.
<b>Totals</b>	<b>4 500 000</b>	<b>2 250 000</b>

#### 4.6 Organisational Set-up and Responsibilities

A separate, tailor-made steering system will be set up for the Action in order to ensure the interaction of different actors and to get the necessary support from the relevant decision-makers for the different tasks and processes.

The Action will have a two level functional steering system. The Strategic level will consist of a Steering Committee, where direct participation in the steering decisions is based on formally defined direct responsibility for the control decisions (EU, GIZ, Energy Ministry, AEPC and representatives of involved financing institutions, public and private sector representatives, and members of organisations representing women, disadvantaged groups, and people with disabilities). This level will make decisions on the operational plans, review of progress against the approved operational plan, and adjustment to the steering mechanisms. It will meet at least once a year.

The Steering Committee is supported by an Advisory committee, with EU, GIZ, and sub-national government representatives, department of industry, chamber associations, subject matter experts, a.o. 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 organisational set-up includes an active and meaningful participation of key stakeholders, including rights holders such as women organisations and organisations representing vulnerable and disadvantaged groups (especially Output 2) and provides reasonable accommodation to allow participation of persons with disabilities (especially Output 1, decent work approach).

Day to day operations and management decisions as well as personnel management, financial management (budget planning, outflow and monitoring of funds), procurement (material goods, appraisal and consulting contracts), financing contracts, quality and risk management, communication (project outlines for the GIZ website and IATI transparency portal) are the responsibility of the EU and the GIZ and will be coordinated among them in regular management meetings.

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

## 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 GIZ and the main government implementation partner AEPC. Hence, existing monitoring systems and capacities of GIZ REEP and AEPC 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. All monitoring and reporting shall assess how the action is taking into account the human rights-based approach working principles (i.e. applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data).

During the implementation of the measure, monitoring data is continuously collected, assessed, and analyzed. 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.

## 5.2 Evaluation

Having regard to the nature of the action, a 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.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach working principles (i.e. applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data). as well as how it contributes to gender equality and women's empowerment. In this regard, expertise on human rights and gender equality will be ensured in the evaluation teams.

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 dissemination<sup>10</sup>. 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 under a framework contract.

## 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.

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<sup>10</sup> See best [practice of evaluation dissemination](#)

## 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.

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 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.

## APPENDIX 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entity'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.

In the case of 'Group of actions' level, add references to the present action and other action concerning the same Primary Intervention.

In the case of 'Contract level', add the reference to the corresponding budgetary items in point 4.6, Indicative Budget.

N.B. An individual Contract that does not produce direct reportable results and cannot be logically grouped with other result reportable Contracts is considered a 'support measure'.

<b>Option 1: Action level</b>		
x	Single action	Present action: all contracts in the present action
<b>Option 2: Group of actions level</b>		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
<b>Option 3: Contract level</b>		
<input type="checkbox"/>	Single Contract 1	
<input type="checkbox"/>	Single Contract 2	
<input type="checkbox"/>	Single Contract 3	
	(...)	
<input type="checkbox"/>	Group of contracts 1	