



DRAFT GUIDELINES AND MODALITIES FOR
RENEWABLE ENERGY TECHNOLOGY
“INNOVATION FUND”

(Final DRAFT)

Rural Energy Development Program (REDP)
Alternative Energy Promotion Center (AEPC) Building,
Khumaltar, Lalitpur, Nepal

Contents for RET Innovation Funds

1. Purpose of the Guidelines	5
2. Rationale of the RET Innovation Funds.....	6
3. The operational program of REDP:	7
4. Objectives of RET Innovation Funds (RIF):	10
5. Who can apply?.....	10
6. Focal Areas of RIF Support.....	11
7. Time Frame	11
8. The RIF Secretariat.....	11
9. Provision of the Technical Assistance.....	12
10. Development and Selection of Project Proposals	12
11. Formation of the National Steering Committee (NSC) for RIF.....	15
12. Role of Grantees for Implementation of Projects.....	16
13. Operational Framework for Programme Implementation	17
14. The Grant Amount:.....	22
15. Funding Procedure	22
16. Technical and Financial Reporting.....	23
17. PROJECT MONITORING	25
18. VISIBILITY AND PROMOTION.....	26

LIST OF ANNEXES

- Annex 1 Guidelines for proposal writing
- Annex 2 Contacts for Technical Assistance Support
- Annex 3 Technical Report Format
- Annex 4 Financial Report Format
- Annex 5 Proposal Evaluation Criteria
- Annex 6 Contract Format

Appendix 1 Potential Areas of Innovation for the Focal Areas of RIF

LIST OF ABBREVIATIONS

AC	Alternating Current
ADB	Asian Development Bank
AEPC	Alternative Energy Promotion Center
BSP	Biogas Support Program
CBOs	Community Based Organisations
CDM	Clean Development Mechanism
CM	Community Mobilization
DC	Direct Current
DDC	District Development Committee
DEES	District Energy & Environment Sections
DEEU	District Energy and Environment Unit
ED	Executive Director
EDO	Energy Development Officer
ESAP	Energy Sector Assistance Program
EU	European Union
FYP	Five-Year Plan
GDP	Gross Domestic Production
HRD	Human Resources Development
ICS	Improved Cook Stoves
INGO	International Non Government Organisation
IWMP	Improved Water Mills Project
KiND	Khimti Neighbourhood Development Project
kW	Kilo Watt
kWh	Kilo Watt Hour
M&E	Monitoring and Evaluation
MDG	Millenium Development Goals
MEDEP	Micro-Enterprise Development Programme
MMHP	Mini-Micro Hydro Plant
MoA	Memorandum of Agreement
NGO	Non Governmental Organisation
NPM	National Program Manager
NRs	Nepalese Rupees
NSC	National Steering Committee
PAF	Poverty Alleviation Fund
REDP	Rural Energy Development Program
RET/s	Renewable Energy Technology/ies
RIF	Renewable energy technology Innovation Fund
SC	Solar Cooker
SD	Solar Dryer
SPV	Solar Photovoltaic
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
VAT	Value Added Tax
VDC	Village Development Committee
WB	World Bank
WECS	Water and Energy Commission Secretariat
WP	Wind Power

1. Purpose of the Guidelines

The purpose of these Guidelines is to assist, the Grant Beneficiary, to implement the project successfully. Once the grantee been successful in securing the grant and now the hard work starts! For many of the grantees, this may mean a certain amount of uncertainty regarding what exactly is required. The Guidelines provide information on implementation modalities and procedures related to innovation fund management, procurement, payment, reporting and visibility.

These guidelines do not in any way replace the obligations set out in the specific and general conditions of the grant contract. These Guidelines are intended to bring out the key points that should be considered before and after applying for the innovation grant.

It is important that the Grantee is familiar with the norms of Renewable Energy Technology Innovation Fund (RIF), so that the grantee is able to identify issues that are specific to the project action.

Included in the annexes to the Guidelines are templates for the various documents which must be prepared to meet the requirements of the **RIF**. These will help the grantee to prepare the documents which are required to submit to the Contracting Authority during the implementation of the contract. The information in these Guidelines is limited to the Grantee's requirements to REDP/AEPC in terms of how the grantee implements their contract. With the exception of the section on VAT, they do not include the obligations, which must be met in order to conform to legislation of the Government of Nepal. It is the Grantee's responsibility to contact the relevant authorities concerning consistency with AEPC/REDP rules and regulations where appropriate. During the implementation of the project, assistance is available to the grantee from the AEPC/REDP Technical Assistance team. The grantee should contact this team for advice before contacting the Contracting Authority. The key contacts for the Grantee in Kathmandu are:

- i. The Manager, RIF Secretariat
- ii. Secretary, RIF Secretariat

Full contact details are listed in Annex 2 to these Guidelines.

The Guidelines are written on the assumption that this is the Grantee's first RIF funded project. For those with previous experience of such procedures, the grantee will have seen some of the information contained here before. However, even for those with previous experience, everyone is advised to read the entire document to get familiar with the program.

2. Rationale of the RET Innovation Funds

The objective of the Rural Energy Development Program Phase III (REDP-III) is to contribute to the peace process by building local capacity for sustainable, community managed and equitable rural energy service delivery for poverty alleviation, livelihood promotion and environmental protection. This objective supports the goals and targets of promotion and environmental protection. This objective supports the goals and targets of the Government of Nepal (GoN) and the United Nations Development Assistance Framework (UNDAF, 2002-2007) as well as the new UNDAF (2008-2010).

Renewable energy technologies have been promoted in Nepal since the early seventies and the success of these initiatives is noteworthy. As of 2063/64, 10 MW of micro hydropower has been developed, covering around 100,000 households, about 95,000 solar home systems have been installed; 350,000 households are using improved cook stoves and 184,000 biogas plants have been installed. Similarly 2800 improved water mills have been installed, and 52 solar water pumping systems have already been installed. About 7% of the population uses renewable energy resources (not including traditional fuels, used by nearly 100% of mountain households and about 77% of hill households for cooking and heating). Various bilateral and multilateral development partners, such as United Nations Development Program (UNDP), the World Bank (WB), Asian Development Bank (ADB), European Union (EU), Denmark, Norway, Germany, Netherlands, Canada, etc have supported Nepal in different endeavors. Similarly various government bodies, line ministries, private sector, non-governmental organizations (NGOs) and community based organizations (CBOs) have played vital roles.

Experiences have shown that there are greater and urgent needs of promoting newer and efficient devices, equipment and machines that would:

- i. Maximize the use of existing RETs,
- ii. Enhance the performance and outputs
- iii. Optimise the uses of local resources and skills.

The proposed “Innovation Fund” will focus to the design and field testing of potential ideas and innovations in the forms of prototypes or pilot programs. The successful prototypes are upgraded for product development and promotion to benefit the mass. The innovation fund will also promote partnership opportunities with the private companies, research institutes and individuals. The innovation fund will also support to carry out action research related to the end use promotion of RETs.

3. The operational program of REDP:

Component 1: Consolidation and advancement of REDP Community Model

To consolidate and advance the innovative nature of the REDP holistic community development and rural energy planning model, an outward-looking “process learning model” “REDP-Plus” will be developed in the REDP-III. Best practices of REDP and other projects and programmes in both energy and poverty sectors will be reviewed and a revised service delivery model agreed by stakeholders will be prepared at process workshops both internal and external. Of particular importance will be the further integration of poverty, gender and social inclusion targeting, and livelihoods promotion for the poor, with the assistance of Poverty Alleviation Fund (PAF). Under the auspice of AEPC, the programme will partner with PAF (WB supported fund mandated to directly support the local institutions for poverty alleviation initiatives) to support livelihood activities. The issue of inclusion of the poor households, who lack equivalent collaterals required for their participation in the energy projects, will be resolved through mobilising additional resources from other partners for this. The findings of the final evaluation report of REDP will also be integrated in the new model. Studies and assessments will be used for continuous learning and feedback and M&E will maintain a complete overview of activities undertaken by REDP-III and its partners. An M&E model for measuring linkages between energy and poverty will be developed and used for project strategy corrections. Communications with key stakeholders, programmes and donors will be maintained through a website and e-news and participation in seminars and training workshops by staff for continuous learning as well as dissemination of REDP experiences and innovative approaches.

Component 2: Expansion of energy access to poor and marginalised people

To expand community-driven energy access to poor and marginalized people in 40 districts, the REDP implementation model will be mainstreamed at district level by building local level capacity for energy service delivery through the holistic community management model. In the original 25 districts, there are still poverty pockets, and benefits for women, poor and socially excluded can be increased in some REDP areas. In the 15 new districts, which are selected on the basis of poverty criteria, the full implementation package will be mainstreamed. The new 15 districts include, Udaypur, Bhojpur, and Khotang in the Eastern Development Region, Ramechhap, Sindhuli, Sarlahi and Rasuwa in Central Development Region, Gulmi, Gorkha, and Kapilvastu in the Western Development Region and Jajarkot, Kalikot, Jumla, Rukum and Rolpa in the Mid Western Development Region.

In order to maximize benefits for the poor and women, a full menu of energy options will be offered, including cooking energy and improved water mills as

well as micro-hydro and solar PV for Household electrification. The beginning of all these will be through comprehensive community mobilisation (CM) process drawing lessons from past REDP interventions and other programmes, such as, PAF, ESAP, which will also help to ensure social inclusion. Inclusion of marginalized people including women will be supported and monitored as beneficiaries, participants, operators and decision-makers. District Energy & Environment Sections (DEES) will be strengthened or established in all 40 districts and local bodies and NGO support organizations at district and VDC level will be strengthened and supported to carry out needs and supply assessments and implement the process learning model with gender and social inclusion and livelihoods promotion integration. Micro-hydro implementation will continue as REDP core strength, and other renewable energy technologies will be implemented by mobilising technical assistance and resources from national energy programmes of AEPC and others, such as ESAP, Biogas Sector Programme (BSP), Improved Water Mills Project (IWMP) and Renewable Energy Project (REP). It is targeted that 1.7 MW of community-managed micro-/mini hydropower will be installed through REDP-III. In addition, 2,200 toilet-connected biogas plants, 9,000 improved cook stoves, and 550 solar home systems will be delivered to 20,000 households (100,000 people) in the REDP-III villages in collaboration with the support from other programmes under AEPC. The project strategy, M&E and corrections will ensure that the poor, women and socially excluded benefit disproportionately. For micro-hydro, this level of delivery has been selected based on identified VDCs, the need for faster delivery in the post-conflict situation, and the need to achieve a target of 15 MW in order to bundle micro-hydro for CDM compliance (see 5 below).

Component 3: Capacity building for using energy for sustainable livelihoods promotion

To contribute to the generation of a rural economic growth process, a central tenet will be the linkage of the energy services to livelihoods promotion, income generation, and social services - both in order to pay for the new services and their maintenance, and to impact on achievement on MDGs, in particular poverty alleviation. Community grants for a livelihoods promotion and energy appliance and conservation fund, as well as linkages with PAF, line agencies, I/NGOs, and UNDP projects, will be used to channel livelihoods programmes to the communities based on participatory assessment of local needs, resources, skills and markets. Linkages for targeting include e.g. integrated water resource management linking irrigation, drinking water & micro-hydro; non-timber forest products (NTFP), agro-forestry and community forestry; diversified crops such as pineapple, ginger, tamarind, garlic with associated agro-processing facilities, non-farm income-generating activities, trekking and tourism energy needs, ICT for community education/business literacy classes, school education, sanitation, health, and social & institutional uses. In addition, an innovation fund will be available to pilot adaptive technology research for end-use promotion. In this connection, linkages will be established with UNDP supported project like Micro-Enterprise Development Programme (MEDEP) and government's PAF which have strong livelihoods focus.

Component 4: Operationalisation of Rural Energy Policy (2006)

To support rural energy policy and planning, key elements of the recently promulgated comprehensive Rural Energy Policy (2006) will be operationalised in all 75 districts and at national level. A package of measures will focus on establishing and strengthening district and national planning methods and structures and preparing operational guidelines, policy and legislations, and assessments. While full DEES will be established in 40 districts, all 75 districts need to have a basic capacity to plan, monitor, coordinate and mainstream rural energy planning and environment mainstreaming in district level planning, through an additional staff expert or training of existing staff and integration of energy with development information systems. This approach has already been piloted by AEPC, with UNDP support, in six additional districts and in this REDP-III phase this will be expanded to 72 districts excluding the 3 Kathmandu valley districts. At national planning level, a central data-base and system for coordination and monitoring of district-level and national level energy programmes and integration of energy with line agency sector programmes will be designed and implemented and institutionalized in AEPC. At policy implementation level, guidelines, policy & legal documents, acts and regulations, and assessments to support district and national level energy policy implementation will be prepared such as a study on pro-poor “smart” subsidy policy for renewable energy based on geographical and other criteria; guidelines for consistency and equity of subsidy policies for off-grid and on-grid electrification; policies and guidelines for financial and other modalities to overcome exclusion based on findings of ongoing AEPC study on gender mainstreaming and social exclusion strategy; a study on scale-up mechanisms for meeting cooking energy needs including health, forestry and women’s development; and a study on new financial mechanisms and private-public ownership modalities for small hydro development and expansion of micro-hydro sites.

Component 5: Piloting for sustainability of smaller hydropower systems and innovating on other RETs

To ensure the sustainability of future small hydropower development, innovative approaches will be piloted in mini-hydro development and in accessing resources through the CDM. Micro-hydro plants provide insufficient output for productive uses, balanced load and reliability for economic growth, as well as low output to justify grid connection. With increasing demand and to justify eventual connection to the grid, hydropower development in unconnected areas will need to develop beyond micro-hydro to mini-hydro in the 100-500 kW range. With this in view, the technical, economic and managerial feasibility of micro-grid connection to reach these levels will be piloted in 4 areas. In addition, the KiND project squarely fits in the context of piloting a mini-hydro (400kW power plant) for which a separate document has been already agreed which provides details of it strategies, implementation modalities and dedicated team members. The KiND team will be represented in the overall management arrangement of REDP.

Furthermore, mini-hydro manufacturing potential in this range exists in Nepal but has not been developed by local manufacturers. Feasibility and capacity-building for the manufacture of mini-hydro turbines in Nepal will also be explored.

4. Objectives of RET Innovation Funds (RIF):

The objectives and the intended outputs of RIF are:

- i. Lessons and best practices of REDP and other experiences are used for design of new model and continuous learning in rural energy and poverty alleviation in Nepal.
- ii. Local level has capacity built to increase energy access through local/community management model.
- iii. Local level has capacity built to link energy services to poverty alleviation through productive and other end uses, including for women and socially excluded groups.
- iv. Support to AEPC for energy planning in line with the key elements of Rural Energy Policy and local level environment mainstreaming started in all districts and national level.
- v. Innovative approaches for long term micro-mini hydro and RETs sustainability are piloted, including developing micro hydro projects as Clean Development Mechanism project.
- vi. Adaptive research of cost effective RET systems.
- vii. Reliability of RET systems enhanced for further promotion.

5. Who can apply?

The applicant must be a registered and recognized Community-based Organization (CBO), local Non-Governmental Organization (NGO) or research institution involved in carrying out community-level initiatives aimed at promoting Renewable Energy Technologies while at the same time improving local people's livelihoods. A few possible applicants are, but not limited to:

- NGOs/ INGOs working in the field of RE
- CBOs
- Private sector
- Research/ Academic Institutes

6. Focal Areas of RIF Support

RIF will focus on the following areas to enhance their efficiencies, effectiveness and cost. RIF also envisions to modify the existing designs to make it more convenient as well as introduce newer technologies to the RET arena.

The Focal Areas for RIF Support are:

- Technology Components (Hydro, Solar, Biomass, Bio-fuels, Wind and other clean energy technologies)
- Energy Efficiency and rational use of energy
- Demand side Management
-

7. Time Frame

The proposed time duration for the RIF's project for any individual project is a period of **two years**. The Grantee has to complete their project within 2 years from the date of signing of the contract or before. However, the valid time duration of the project tenure shall be governed by the MOU between the RIF's secretariat and the Grantee organization.

8. The RIF Secretariat

AEPC will employ/depute the necessary staff to conduct the day-to-day work of the RIF Secretariat initially with the support from REDP central unit. Salaries for the Secretariat staff and the operating costs must be presented for the review of the RIF budget. These expenses will be covered from the annual fund available to RIF.

Depending on the number of grant applications needed to be processed and other functions, it is expected that the following staff will be necessary:

- Secretariat Manager/Officer

Responsibilities:

- Arrange for publishing of the RIF call for proposals in the national daily's.
- Collect the proposals from the proponents, scrutinise the proposals, summarise the potential concept papers and proposals for review by members of RIF National Steering Committee (NSC).
- Forward the short listed proposals for approval from the NSC

- Make necessary arrangements to conduct the NSC meeting at least 2 times a year or as and when deemed necessary by the secretariat.
 - Day-to-day management of the work in the Secretariat, communication to RIF's clientele, the RIF Support Programs, the Proposal Scrutinising etc.
 - The Secretariat Manager will also perform the Evaluation of projects and will assist in the preparation of Quarterly/Trimester Expenditure Statements.
- Secretary.
 - Responsibilities:
 - General office routines, book-keeping in relation to RIF's operations budget, maintaining RIF related database, and other secretarial works.

9. Provision of the Technical Assistance

The RIF secretariat requires a strong technical assistance for the following: (1) provision of expert advices that are community oriented; (2) documentation of successful experiences and their wide-scale dissemination; (3) linkage with government and non-governmental agencies for development of policies and for replication and/or adaptation; (4) arrangement of formal linkages amongst the community-based organizations with resources available with government, banking and/or credit institutions and for marketing; (5) analysis of the regional situation to find or develop RET projects; (6) monitoring and impact assessments; (7) developing/ replicating communications strategies; (8) carrying out programme review ; and (9) other support activities.

RIF Board will hire, if needed, technical team or consultants to support grantees in the field of monitoring, communication and outreach, and financial management training, and periodic programme review. AEPC/REDP Country Programme Office will be responsible for capacity building of the grantees in monitoring the project activities and in ensuring better communication and financial management.

10. Development and Selection of Project Proposals

Renewable energy technology based projects encouraging environmentally sound practices that are directly related to AEPC focal areas and operational programs will receive high priority for RIF funding.

The prospective grantees to implement RIF projects should have the following qualities:

- (i) Commitment to demand-based initiatives;
- (ii) Local orientation in its formation and operations;
- (iii) Existence of technical and qualified manpower in the subject area;
- (iv) Capabilities to develop project proposals and monitoring reports;
- (v) Not rigid but capable of developing alternative and innovative ideas;
- (vi) Existence of self-generating core funds;
- (vii) ;
- (viii) Officially registered, updated annually and conducted audit exercises;
and
- (ix) Experience in RE activities and AEPC focal areas.

The National Steering Committee (NSC) will ensure that whoever is awarded funds for an activity will maximise benefits for the rural-poor and marginalised communities. The prospective awardees could be:

- i. Indigenous and local NGOs;
- ii. Community-based Organizations;
- iii. Community groups like local councils, farmers associations, co-operatives, clubs, women and youth groups;
- iv. Scientific, research, technical and training institutions;
- v. Private sector firms and individual consultants.

Project proponents will be encouraged to develop proposals for RIF support based on the following:

- (i) RET activities which are not amongst the mainstream projects of AEPC (REDP, ESAP, RESS, etc);
- (ii) Development initiatives generated through consultation with the concerned communities, VDC and relevant sub-committee of DDC;
- (iii) Ideas generated through interaction with (1) government agencies such as the National Planning Commission, Ministry of Environment, Science and Technology and Ministry of Local Development; (2) international organizations; and (3) national non-government sector organizations;
- (iv) Ideas generated from research and survey work of relevant institutions and individuals.
- (v) Ideas developed by private sector firms, Networks of local NGOs adapting sustainable approach of community development via promotion of RETs;

The following criteria will be used in the prioritisation of funding by the NSC.

- (i) Experience of the proponents or grantee organization on RE activities.

- (ii) Eco-regional basis (If the promotion of RE is to be done in Terai, Mid Hills or the High Hills region)
- (iii) Resource base of the proponent
- (iv) Presence of relevant technical manpower
- (v) Experience in rural/community development
- (vi) General impressions on the concept paper or proposal and the project proponent. The project concept paper or proposal will be assessed in view of its technical soundness, replicability, sustainability, co-funding strategy and innovation.

The following procedures will apply in the processing of concept papers/proposals;

- (i) The project proponents shall submit concept papers or proposals using guidelines as provided for by AEPC to the RIF secretariat. Concept papers and proposals shall be received throughout the year. Annex 1 is the guidelines for writing and submission of concept papers or project proposals.
- (ii) The RIF secretariat shall summarise the potential concept papers and/or proposals for review by members of NSC.
- (iii) The NSC shall appraise and select the eligible concept papers or proposals based on funding and selection criteria, and will inform the successful applicants through the Manager of RIF secretariat.
- (iv) The successful proposals shall enter the RIF work programme. The quorum for accepting the decisions of the NSC in project proposal selection will be 50% of the members of the NSC or their representatives.
- (v) Decisions made by the NSC will serve as technical clearance for RIF funding to grantee's projects.
- (vi) Memorandum of Agreement (MoA) will be signed by the ED of AEPC and the Head of the grantee institution.
- (vii) The contract shall be signed within one month from the approval of the NSC.

11. Formation of the National Steering Committee (NSC) for RIF

A National Steering Committee (NSC) will be formed to select projects for funding. The following procedures for development of and selection of the projects for RIF support will be adopted.

- (i) The RIF's secretariat will screen all concept papers and/or project proposals and submit the potential ones for RIF support to the NSC.
- (ii) The NSC shall meet at least two times in a year or as needed for the purpose of selecting viable concept papers/proposals.

Composition of the NSC is as follows:

- a) The ED of AEPC shall chair the committee.
- b) Representative of AEPC Programs;
- c) Representative of Donor Agencies; (UNDP, DANIDA, WB, EC, Norway, SNV, KfW etc)
- d) Invitees from research/ academic institutions shall also be invited depending upon the nature of the proposed project.
- e) Representatives from the private sector shall also be invited depending upon the nature of the proposed project.
- f) Representatives (Two in number) from relevant GO/NGOs/INGOs (invited depending upon the nature of the proposed Project)

Roles and Responsibilities of NSC:

- The NSC shall meet at least two times in a year or as needed for the purpose of selecting viable proposals.
- The NSC shall review all proposals forwarded by the RIF's secretariat manager.
- The NSC shall give their necessary feedbacks to the projects forwarded by the secretariat manager.
- The NSC which will review the papers and will either accept it, reject it, or return it to the proponent with a request that further work be done on formulating or refining the project idea.
- As for the accepted projects, decisions made by the NSC will serve as technical clearance for RIF funding to grantee's projects.
- The decisions made by the NSC will be final, and the approved projects shall be approved for signing of the contract.

Representatives from other potential donor and /or co-funding agencies as well as academic and private institutions shall be explored and included in the NSC in the future.

However, flexibility will be maintained to make changes in the NSC during the implementation phase for effectiveness of the program. NSC members will participate in the project appraisals and selection, monitoring, evaluation and dissemination of information. To keep the NSC independent and transparent, no member on the NSC representing an NGO shall participate in the appraisal and selection of a proposal in which he/she has interest. The participation of these institutions will provide the basis for wide scale replication and/or adaptation of successful “best” practices and brings about better coordination and understanding.

Decisions made by the NSC will serve as technical clearance for RIF funding to grantee’s projects. Memorandum of Agreement (MoA) will be signed by the ED of AEPC and the Head of the grantee institution.

12. Role of Grantees for Implementation of Projects

Technical support will be provided by selected grantees to implement the projects. Grantee organizations will be supported to enhance their capacities. The following are options which may be pursued:

- (i) AEPC/REDP’s support to NGOs/CBOs will be provided to cost-share in the implementation of community-based RE innovative project activities that are focused on the REDP’s thematic areas. Such a mechanism will encourage NGOs to generate their own resources to meet their operation costs.
- (ii) The RIF Programme Office will ensure that core staffs of the grantee organisation are trained in the AEPC/REDP’s focal areas and in the areas of social mobilisation for successful implementation of project activities, once the prototypes have been developed. If needed, at each step of programme implementation, consultative workshops will be organized for the grantees to search for best options, and to share the project/research progress to make the projects successful. With the completion of the first phase of project implementation, grantees will have developed significant capacities and capabilities. Members of the National Steering Committee can be invited to attend the consultative discussions, whenever feasible.
- (iii) RIF projects will be linked to appropriate networking institution such that the grantees have opportunity to access information in the area of interest for long-term sustainability.
- (iv) The RIF Programme Office will ensure co-ordination between the network and RIF grantees to share experiences and lessons learned regarding research and sustainable development in Nepal.
- (v) It is advised for all grantees receiving RIF support to be a part of the network. RIF supported grantees may maintain appropriate communication and linkages with the relevant sub-committee of the DDC in which they plan to scale up their activities.

- (vi) The grantees as well as the Network can develop institutional linkages with existing commercial banks or formal credit institutions and act as intermediary organizations for flow of credit resources from them to the community organizations for livelihood activities linking the latter with renewable energy. Success in establishing linkages as intermediary organization allows the grantees and the Network to have access to small resources to cover operational costs.

The above mentioned arrangements for grantees will support (1) capacity building of the organizations; (2) develop specialized skills in the grantees to provide professional support for community-led initiatives for environmental conservation; and (3) create the institutional conditions for sustenance and exchange of ideas to mutually reinforce their RE focal area capabilities.

13. Operational Framework for Programme Implementation

AEPC will house the RIF Secretariat. The RIF Secretariat will follow AEPC rules and regulations for office operation days, hours, holidays and staff leaves. UNDP Country Office plays a role to develop links and contacts with other UNDP-assisted programmes, in-country donors and donor-assisted programmes, facilitate interaction with the government and publicise RIF.

AEPC will have an overall responsibility for in-country financial and administrative management, including handling of all contractual obligations with grantees. The responsibility for monitoring and evaluation of the programme also lies with AEPC. At the country level, the National Steering Committee (NSC) will be formed to give technical clearance for RIF funding the grantee projects.

The sequence of steps that can be followed to implement the programme package is discussed below:

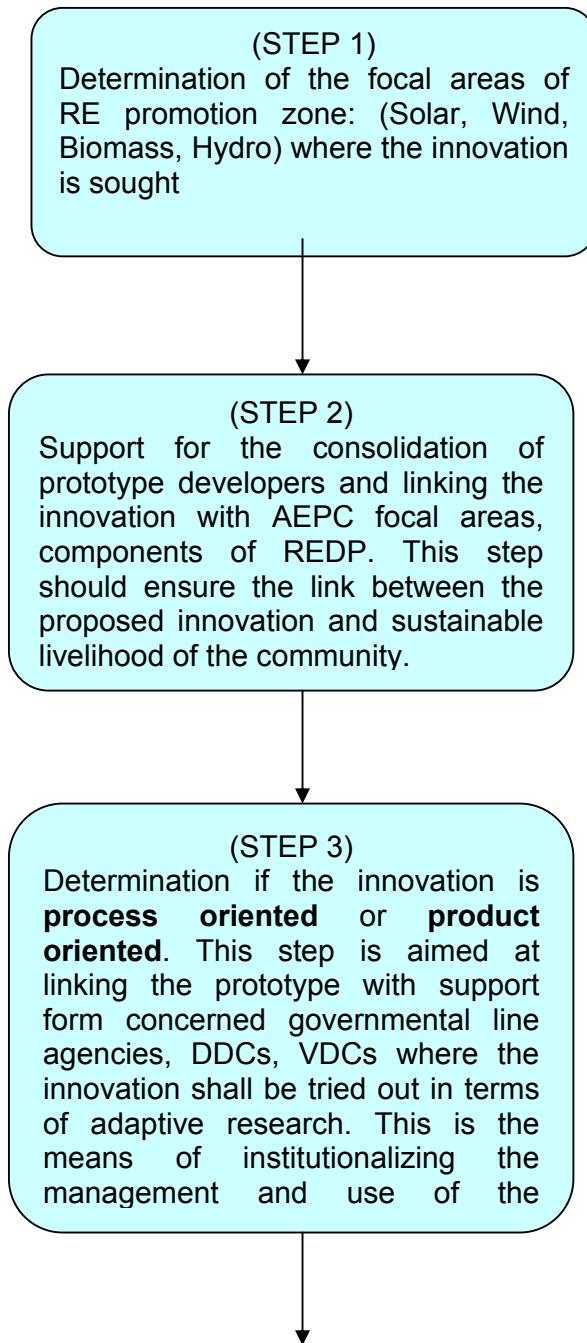
- (i) The first step to undertake is to determine the “influence zone” of the AEPC/REDP focal areas RE promotion zone (solar, wind, biomass, and hydro related technologies), areas for promoting development of rural energy efficiency technologies, and/or sites for end use diversification.
- (ii) The second step is to provide, where necessary, support for the consolidation of prototype developers and research institutes and that undertake activities of REDP focal areas linking with sustainable livelihood of the communities. Consolidation of such groups and organizations is necessary so as to prepare for the up scaling of the interventions on REDP focal areas, and should be based on the ideas of self-governance, self-management and self-promotion. To ensure this, the grantee will continue decision-making based on consensus and generation of assets in the form of community fund or savings for economic viability in the future. The grantee must give priority to gender equity and

women mobilisation for the development and promotion of their particular innovation. It is also important to have a network of RIF Grantees to exchange experiences and to develop institutional linkages for sustainability.

- (iii) The third step is aimed at linking the innovative prototype of the grantee with the support of the concerned government agencies (NPC, MoEST, AEPC, MLD and others). This is a formal procedure that needs to be completed whether the innovation is process oriented or product oriented. This is the means of institutionalising the management and use of the innovation by the community-based organizations. Linkage shall also be established with their respective Village Development Committees (VDCs) and District Development Committees (DDCs).
- (iv) The fourth step will be to support the members of the community in which the innovation is sought, to undertake sustainable livelihood activities, via the grantee's innovation that are linked to (1) the sustainable use of the available renewable energy resources; (2) improving agricultural and forest diversity for economic well-being; and (3) promoting green enterprises through the grantee's innovation which are primarily linked to processing of and sustainable harvesting of natural resource base.
- (v) The fifth step is to facilitate the members of grantee organisation to adopt alternative forms of energy use – a shift from the current firewood dependence to other forms of renewable energies. The different types of technologies for rural energy efficiency are: improved cook-stoves, biogas, solar and micro-hydro power. The principles of supply and subsidies will not be followed but members of CBOs, with access to their own savings and other economic opportunities, will be linked to technical agencies such as the Agriculture Development Bank, UNDP-assisted Rural Energy Development Programme and others. This step also facilitates the community-led protection of threatened and rare species of fresh water ecosystem and trans boundary rivers for attracting local as well as foreign tourists to develop the area for eco-tourism and economic development.
- (vi) The sixth step will be to identify and obtain the services of, whenever appropriate, local expertise in the field of public environment management audits and financial management audits to assess the activities and expenses undertaken by grantee.

The above is a framework proposed for RIF programme implementation in Nepal and for each proposed step, priority will be given to provision of training to develop skilled cadres, experts or community activists interested in action research. While the concepts and steps to be taken have been outlined, it is not necessary that these would be relevant in all projects to be undertaken with RIF support. There is room for generation of innovative ideas and these will also receive priority. It is hoped that the above framework fulfils the objectives of the RIF, and at the same time accommodate arrangements for capacity building of the grantees and their sustenance through generation of savings and promotion of economic opportunities via the promotion of RE activities.

Operational Flow Chart



(STEP 4)

Support the members of the community, in which the innovation is sought, to undertake sustainable livelihood activities via their innovation that are linked to:

- b) Sustainable use of available renewable resources.
- c) Improving the agricultural and forest diversity for economic well being.
- d) Promoting green enterprises through the use of the proposed innovation.



(STEP 5)

Facilitate the members of the community to adopt alternative forms of energy use. The RIF grantee has to ensure that the envisioned innovation whether process or product oriented, has to advocate for the promotion of RE. The RIF grantee has to link the economic opportunities in their area with the available technical agencies.



(STEP 6)

Identify and obtain the services of local experts, wherever appropriate to monitor the impacts of the innovation. Technical and financial monitoring shall be done by the RIF office regularly. Local experts shall also be identified to assess the technical and financial expenses undertaken by the grantee organisation/ institution.

14. The Grant Amount:

The maximum amount that can be granted at a time to any single grantee under RIF is **NRs. 800,000 (In words, Eight hundred thousand only)**.

The RIF secretariat has also envisioned the provision of Venture Capital, for those innovators who wish to expand their innovations commercially. Please contact the RIF's secretariat for further details on venture capital.

15. Funding Procedure

Following receipt of the concept paper and/or project proposal, the RIF Secretariat will review and screen the concept paper and/or proposal. If the project is judged eligible, the concept paper or proposal will be forwarded to the National Steering Committee which will review the papers and will either accept it, reject it, or return it to the proponent with a request that further work be done on formulating or refining the project idea. The installment payments shall be governed by the final contract document between the RIF secretariat and the Grantee, depending upon the magnitude of the project.

16. Technical and Financial Reporting

Basic principles of technical reporting:

There are two main purposes of the reporting. The formal reporting provides the necessary information to the Contracting Authority to assure them that the project is being implemented according to the contract and that payments should therefore be released. The monthly reports provide information to the team to allow them to support the grantee and others with implementation and to promote the projects to potential future donors.

Reporting also helps the grantee to view their progress objectively. The reports should accurately reflect your progress during the reporting period, highlighting any key issues and providing justification for any deviations from the description of the contract. If the grantee is unclear about any of the reporting requirements they should discuss these with the RIF team. The grantee should familiarize themselves with the reporting formats and requirements at the outset of the project so that they can collect the information which is required.

It is significantly quicker to prepare the technical reports if information is added to them at the time the activity takes place. This can always be amended later but it makes sure that the recommendations for corrective action and for improving the programme are not lost. Equally, the Plan of Action should be updated whenever necessary changes are identified and submitted along with the monthly report if there are any changes. All changes must be justified in writing.

If the Final Report does not contain all the information required by the Contracting Authority then the grantee will be requested to provide additional information or clarification. This will be done in writing and the information should be provided by the grantee within 30 days of the request.

All reports should be prepared in consultation with partners and with direct beneficiaries and target groups. It is not necessary for these people to 'approve' the report but the grantee's evaluation of activities and the achievement of results and objectives should be based on the views of these stakeholders. Again, this should not be something which the grantee is carrying out solely for the purposes of the reports. It should be something which the grantee is doing to ensure that the activities are having the desired effect – and are making a difference.

Reporting schedule

The grantee is required to produce two types of technical and financial reports:

- Monthly/Quarterly reports (depending upon the project time span)
- Final report

Standards of all reports

- All reports should be typed and should be either English or Nepali.
- One original and two copies of each report should be provided to the RIF team as well as an electronic version.

The following format should be used:

For English:

Font: Arial

Font size: 11

For Nepali:

Font: Preeti

Font size: 16

Basic principles of financial reporting:

Financial reports are submitted along with each technical report and, therefore, according to the same schedule. The Final Financial Report requires approval and this approval is necessary before the balance requested is paid to the grantee.

Financial reports will be checked to ensure the following:

- Conformity of the expenditures with the budget of the project;
- Eligibility of the expenditures;
- Correct use of the procurement procedures, whenever required;
- Correctness and completeness of all supporting documents;
- Correctness of the calculations and exchange rates.
- That any changes which occurred between budget lines and/or headings for that month are eligible and justified.

If the RIF team is not satisfied with the documents presented then they may make recommendations for how this situation can be rectified prior to the submission of the final report.

The following procedures should be adopted for financial reporting:

- All copies of the Financial Report must be signed in original by the appointed Representative of the project and stamped with the grantee's stamp/seal;
- Expenditures must be in conformity, including full eligibility, with the approved Budget of the Operation and the General Conditions of the Grant Contract
- Expenditures are eligible only if incurred after the signature of the Grant contract
- Each expenditure must be clearly associated with one or more budget items
- There should be one supporting page for each of the budget lines relevant to the grantees contract (e.g. Human Resources, Travel, Equipment and Supplies etc). The grantee should only submit supporting pages for those budget lines that have incurred expenditure during the reporting period.

17. PROJECT MONITORING

Monitoring is of key importance in ensuring high quality project performance. Identifying problems early on can avoid the investment of significant resources into the completion of ineffective activities and can help to identify mistakes that need to be rectified.

Monitoring is carried out by assessing both the work completed to date, and the planned activity. Effectively this means through assessment against your logical framework, your Plan of Action and your Budget.

Two principle questions should be asked:

- Have the activities completed to date had the required **results**?
- Have the results contributed sufficiently to the achievement of the **specific objective**?

The RIF monitoring team shall take into account a variety of information from a variety of different sources.

The monitoring and evaluation for the RIF projects shall be done in a quarterly basis. Besides the RIF secretariat, the regional/ district personnel from AEPC and REDP shall do the monitoring. The EDO of REDP's 40 districts shall be responsible for the process and product monitoring and the engineers from District Energy and Environment Unit (DEEU) who are based in the other 32 non REDP districts shall do the primary monitoring in the districts.

Types of monitoring activities done by the RIF team:

- Site visits
- Interviews with staff or project personnel
- Research e.g. questionnaires to suppliers or clients
- Observation of project activities
- Analysis of technical reports and other documents
- Analysis of financial documents

18. VISIBILITY AND PROMOTION

It is the grantee's obligation to ensure the maximum positive publicity for the project. To achieve maximum publicity, the grantee need to identify newsworthy events and activities and to use the appropriate publicity mechanism to promote them. In all cases the grantee should be clear on:

- What you are promoting
- Why you are promoting it; and
- Who you are promoting it to

The choice of promotional mechanism should be the most appropriate to ensure that the information is received by the relevant target audience in a format which is accessible to them.