Background

Due to the mountainous topography and geographical conditions and the associated high costs of expanding the national grid, it is difficult to connect all rural areas to the electricity network in Nepal. Therefore, the Nepali Government is supporting the deployment of decentralized renewable energy technologies (RETs) like mini-grids, Solar Home Systems and biogas in rural areas. The Alternative Energy Promotion Centre (AEPC) is the government’s nodal agency for scaling-up decentralized renewable energy (RE). The promotion of decentralized RE builds strongly on subsidies and has so far been unable to build sustainable markets for these technologies. The reasons can be found in the lack of involvement of local authorities and end-users in RE planning, insufficient supply relations between technology providers and end-users, lack of access to finance and inadequate after-sale-services.

The Nepali Government is implementing the stipulations of the new Constitution of 2015 which devolves powers from the central to the local and provincial governments. Provincial and local governments are now empowered to design policies and support-programmes, and deliver public goods and services in regards to decentralized RE. This restructuring of the state provides many opportunities, and, at the same time, makes profound transformations necessary in the RE sector. Before federalization, AEPC was responsible for policy-making, planning and implementing decentralized RE. In the new federal structure, this mandate has been transferred to local and provincial governments. However, the newly established local and provincial governments lack capacities (human and technical) and means to take up their new tasks relating to decentralized RE. In this context, AEPC is transitioning from an implementing agency that provides services like subsidies directly, to a support agency that enables provincial and local governments to promote and implement RETs.

RERA Approach

Renewable Energy for Rural Areas (RERA) is a joint technical support-programme for the Nepali decentralized RE sector by the Government of Nepal (GoN) and the German Federal Ministry for Economic Cooperation and Development (BMZ). RERA is jointly implemented by AEPC and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

The vision of RERA is “to ensure efficient and effective service delivery of decentralized RE through improved outreach and enhanced local cooperation in federalized Nepal.” The programme aims to improve the energy situation for the rural households with no, or limited access to modern energy services, and focuses on Province 1 and 7. To achieve this goal and address the above mentioned sector-challenges, RERA adapts a multi-level approach:
1. Facilitating the Transformation of AEPC

The programme supports AEPC in transforming from an implementing agency to a support agency in order to adapt to the requirements of the federalized state. RERA works together with AEPC to develop a portfolio of services that will help provincial and local governments to plan, promote and implement decentralized RE. Amongst others, these services include energy planning tools, model policies and regulations.

2. Capacitating Provincial and Local Governments

RERA supports AEPC in setting up and operationalization of two Programme Implementation Units (PIU) in Province 1 and 7. The PIU are instrumental in delivering capacity building and organizational development to the provincial and local governments, as well as their administrative authorities. Thereby RERA will enable the provincial and local level to institutionalize RE in the new government structure and include it in their service portfolio, as well as develop effective support-programmes to scale-up RE.

3. Developing Sustainable Markets

RERA is working with the private sector, civil society and banking institutions to improve the supply of renewable energy services and products. RERA is supporting local micro, small and medium enterprises (MSMEs) and service providers to improve their businesses and ensure after-sale-services. Additionally, the programme is working together with financial institutions to increase the access to finance for businesses and end-users to purchase and market energy products and services.

4. Empowering Women and Disadvantaged Groups

In Nepal ethnic minorities, women and lower castes are still socially and economically marginalized. RERA empowers women and marginalized groups by ensuring their involvement in local-level planning and decision-making processes for promoting RE. Furthermore, the programme is working together with municipalities, provinces, AEPC and energy enterprises to safeguard that women and disadvantaged groups are equally benefitting from RETs.

Expected Outcome

The transition from a centralized to a federalized system provides many opportunities. Allowing local governments to provide energy services can increase accountability, make democracy more direct and development more demand driven, inclusive and bottom-up. RERA is supporting this transition to leverage its potential by delivering the following expected outcomes:

- A framework for participatory and demand-led promotion of decentralized RE is developed and used by all three levels of government
- Provincial and local governments are enabled to promote decentralized RE effectively
- More people have access to modern and high-quality energy services
- Local markets for energy services and products are strengthened, and the private sector expands its activities
- Women and disadvantaged groups are involved in planning and decision making processes for government energy programs, and are equally benefitting from energy services