



## **TERMS OF REFERENCE**

### **Scaling-up Renewable Energy Program (SREP)**

#### **Scoping Mission**

**November 6-7, 2014**

#### **Nicaragua**



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## a) BACKGROUND

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1.1 The **Climate Investment Funds (CIF)** support developing countries as they move toward low emissions and climate resilient development. The CIF provides developing countries with grants, concessional loans, and risk mitigation instruments that leverage significant co-financing from the private sector, Multilateral Development Banks (MDBs), and other sources. Five MDBs—the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group (WBG), including the International Finance Corporation (IFC)—are the implementing agencies of CIF-funded projects and programs.

1.2 The CIF’s financial architecture rests on two trust funds: (i) the Clean Technology Fund (CTF); and (ii) the Strategic Climate Fund (SCF):

- The CTF finances the scaled-up demonstration, deployment, and transfer of clean technologies. The focus is on piloting investments in countries or regions that have the potential for significant greenhouse gas abatement.
- The SCF finances targeted programs that pilot new approaches with the potential for scaling up. The SCF includes the Forest Investment Program , the Pilot Program for Climate Resilience, and the **Scaling Up Renewable Energy Program in Low-income Countries (SREP)**.

1.3 The objective of the SREP is to pilot and demonstrate the economic, social and environmental viability of low carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy. **In June 2014, the SREP Sub-Committee approved the selection of 14 new SREP pilot countries, including Nicaragua, expanding to 27 the number of countries participating in the program.** Furthermore, the Sub-Committee recognized that at present there is not sufficient funding under SREP to finance the projects and programs that may be proposed in the investment plans, but notes its expectation that climate finance will become available (from CIF and others sources of climate finance) for well-developed investment plans and high-quality projects.

1.4 In September 2014, the Government of Nicaragua was invited to take a leadership role in working with the Multilateral Development Banks (MDBs) to develop a full investment plan. Nicaragua is eligible to receive grant funding of up to USD300,000 for the preparation of the country’s investment plan.

1.5 The Inter-American Development Bank and the World Bank Group, including the International Finance Corporation, will be supporting the Government of Nicaragua and other relevant stakeholders—United Nations Organizations, bilateral partners, private sector companies, non-governmental organizations and civil society organizations—in the development of the SREP investment plan. The Inter-American Development Bank will be the “lead MDB” and will therefore coordinate the joint effort of the MDBs in the country.

## b) COUNTRY CONTEXT

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2.1 The Republic of Nicaragua is with its 130,373 km<sup>2</sup> the largest country in Central America and strategically located in the center of the Americas. The Nicaraguan population is multi ethnic and estimated at about six million inhabitants, of which 42.5% live in poverty.<sup>1</sup> Poverty was the UN's main argument for ranking Nicaragua 129<sup>th</sup> out of 194 countries on the Human Development Index of 2012.<sup>2</sup> Gross national income (GNI) per capita was USD 1,650 in 2013, the lowest figure for Central America. Nevertheless, from 2011 to 2012, the GDP grew 5.2% per annum to reach USD 10.5 billion. This economic growth, combined with an adequate legal framework and the privilege of being endowed with abundant and diverse natural resources, makes Nicaragua attractive to investors—net foreign direct investment reached USD 810 million in 2012.

2.2 The strategy pursued by the National Reconciliation and Unity Government (GRUN, according to its acronym in Spanish) to meet the challenges of the energy sector includes: (i) reducing the reliance on fossil fuels for electricity generation; (ii) expanding the private sector investment in renewable electricity generation; (iii) expanding the electricity coverage; (iv) promoting energy efficiency programs; (v) Reducing losses in the national electric system; and (vi) maximizing the opportunities offered by the interconnected Central American electric system (SIEPAC). Due to its renewable energy potential and geographic position, SIEPAC offers great opportunities for Nicaragua in the Regional Electricity Market (MER).

2.3 In its expression of interest sent to SREP, GRUN identified five priority areas that support its efforts towards poverty alleviation, and climate friendly economic transformation in Nicaragua:

- a) **Geothermal Energy.** Catalyze the attraction of venture capital to early stage geothermal developments. Nicaragua must exploit more of its geothermal resources if the 90% renewable energy by 2020 target is to be met, but investors are hesitant to move in unless the GRUN participates in explorations, for which external funds are required. In summary, SREP investment in geothermal exploration can give a high MW/\$ and MWh/\$ return;
- b) **Rural Electrification with Renewable Energy.** Bring modern electricity services to a portion of the more than 900,000 Nicaraguans that are not covered by the current electrification schemes and that largely coincide with the most marginalized parts of the Nicaraguan society;
- c) **Sustainable use of Firewood.** Improve significantly the living conditions of an estimated 3.2 million Nicaraguans (54% of the population) that are exposed to hazardous indoor environments caused by firewood cooking on traditional cook stoves—particularly

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<sup>1</sup> World Bank, World Bank Open Data, 2014, [www.worldbank.org](http://www.worldbank.org)

<sup>2</sup> UNDP, Human Development Report, 2013, <http://hdr.undp.org/es>

women and children. Replacement of cook stoves would also help to decrease deforestation;

- d) **Small scale Hydropower.** Facilitate the development of new small-scale hydropower projects, thus increasing the renewable energy share; and
- e) **Biofuels and Biogas.** Pave the way for the replacement of 10% of Nicaragua's gasoline usage with ethanol and 5% of its diesel usage by 2020 in line with the country's commitment.

## c) SCOPING MISSION - OBJECTIVES

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3.1 The objectives of the Scoping Mission are as follows:

- Identify and agree with Government of Nicaragua the energy technical team responsible for preparing the SREP investment plan;
- Identify relevant government counterparts, development partners and stakeholders for the proposed SREP activities;
- Hold discussions about the objectives of the SREP program, its benefits and the modalities of its implementation in Nicaragua to ensure a common understanding by all stakeholders;
- Undertake a stock-taking exercise of existing activities and documentation available on a range of analytical, strategic and programming activities related to renewable energy, to be built on when preparing the investment plan;
- Agree on the scope and outline of the SREP investment plan;
- Agree on the timeline as well as financial and human resources required to prepare the SREP investment plan; and
- Agree on the terms of reference for the next MDB Joint Mission.

3.2 At the completion of the scoping mission, the MDB team will jointly prepare an aide-memoire that describes the key issues discussed, agreements reached, and next steps.

## d) DATES

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4.1 The proposed dates for the Scoping Mission are **November 6-7, 2014.**

## e) PARTICIPANTS AND PROPOSED AGENDA

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5.1 The Mission will be coordinated by the Government through the Nicaraguan Ministry of Mines and Energy (MEM) which is the focal point for SREP in Nicaragua. The SREP Mission Team members are listed on Annex 1.

5.2 The MDBs focal points for the SREP program in Nicaragua are:

- IDB: Claudio Alatorre (calatorre@iadb.org)
- WB: Migara Jayawardena (mjayawardena@worldbank.org)
- IFC: Laura Gaensly (lgaensly@ifc.org)

5.3 The Government of Nicaragua’s focal points for the SREP program are Mr. Humberto Reyes (Ministry of Energy and Mines, [humberto.reyes@mem.gob.ni](mailto:humberto.reyes@mem.gob.ni)) and Mr. Julio Pérez (Ministry of Energy and Mines, [julio.perez@mem.gob.ni](mailto:julio.perez@mem.gob.ni)).

5.4 Table I presents a tentative agenda and timetable for the activities for the Scoping Mission.

Table I: Tentative Agenda and Timetable

Date	Morning	Afternoon
November 5, 2014	Scoping Mission team arrives in Nicaragua	
November 6, 2014	MDB (IDB + WBG) Team meeting with Minister of Energy and Mines.	MDB Meeting with Energy Technical Teams (MEM, Ministry of Finance)
November 7, 2014	MDB meeting with Energy Technical Team and other Development Partners.	Joint MDBs meeting with Energy Technical Team and private sector Wrap-up meeting with Energy Technical Team
November 8, 2014	Scoping Mission team departs Nicaragua	

## ANNEX 1. LIST OF STAKEHOLDERS

<b>Government (Energy Technical Team)</b>		
Mr. Humberto Reyes	Director of Renewable Energy, Ministry of Energy and Mines	<a href="mailto:humberto.reyes@mem.gob.ni">humberto.reyes@mem.gob.ni</a>
Mr. Julio Pérez	Sub-Director of Non-conventional Renewable Energy, Ministry of Energy and Mines	<a href="mailto:julio.perez@mem.gob.ni">julio.perez@mem.gob.ni</a>
	ENEL	
	ENATREL	
	Ministry of Finance	
<b>Development Partners</b>		
	GIZ	
	CABEI	
<b>Private Sector</b>		
	Private sector firms and associations	
<b>Multilateral Development Banks (MDBs)</b>		
<b>Inter-American Development Bank</b>		
Claudio Alatorre	SREP Focal Point	<a href="mailto:calatorre@iadb.org">calatorre@iadb.org</a>
Hector Baldivieso	Energy Specialist	<a href="mailto:hbaldivieso@iadb.org">hbaldivieso@iadb.org</a>
Alfredo Idiarte	CIF private sector focal point	<a href="mailto:aidiarte@iadb.org">aidiarte@iadb.org</a>
Sergio Ballón	Energy Expert	<a href="mailto:sballon@iadb.org">sballon@iadb.org</a>
Griselda Soto	FOMIN Specialist	<a href="mailto:griseldas@iadb.org">griseldas@iadb.org</a>
Armando Chamorro	Financial Markets Specialist	<a href="mailto:armandoch@iadb.org">armandoch@iadb.org</a>
María Isabel Haro	Financial Markets Consultant	<a href="mailto:mharo@iadb.org">mharo@iadb.org</a>
<b>World Bank Group</b>		
Malcolm Cosgrove-Davies	Energy Practice Manager	<a href="mailto:mcosgrovedavies@worldbank.org">mcosgrovedavies@worldbank.org</a>
Migara Jayawardena	Senior Energy Specialist, World Bank	<a href="mailto:mjawardena@worldbank.org">mjawardena@worldbank.org</a>
Federico Querio	Energy Specialist, World Bank	<a href="mailto:fquerio@worldbank.org">fquerio@worldbank.org</a>
Laura Berman	Energy Specialist Consultant, World Bank	<a href="mailto:lberman@worldbank.org">lberman@worldbank.org</a>
Paolo Bona	Geothermal specialist consultant, World Bank	<a href="mailto:pbona1961@gmail.com">pbona1961@gmail.com</a>
Laura Gaensly	Blended Climate Finance Operations Officer, IFC	<a href="mailto:lgaensly@ifc.org">lgaensly@ifc.org</a>
Carolina Cárdenas	Investment Officer, IFC	<a href="mailto:ccardenas@ifc.org">ccardenas@ifc.org</a>
<b>CIF Administrative Unit</b>		
Mr. Seth Collins	Analyst, CIF Administrative Unit	<a href="mailto:scollins@worldbank.org">scollins@worldbank.org</a>