

Nepal: Distribution System Upgrade and Expansion

1. Project Information

Project ID:	P000086	Instrument ID:	L0086A
Member:	Nepal	Region:	Southern Asia
Sector:	Energy	Sub-sector:	Electricity transmission and distribution
Instrument type:	<input checked="" type="checkbox"/> Loan:112.30 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	B	Borrowing Entity:	Ministry of Finance, Nepal
Implementing Entity:	Nepal Electricity Authority (NEA)		
Project Team Leader:	Pratyush Mishra		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Liu Yang, Project Counsel; Yogesh Malla, OSD - Financial Management Specialist; Irish Fe Aguilar, OSD - Social Development Specialist; Amy Chua Fang Lim, OSD - Environment Specialist; Jurminla Jurminla, OSD - Procurement Specialist;		
Completed Site Visits by AIIB:	Feb, 2021 E&S site visit by AIIB consultant May, 2022 Hybrid (Physical+ Virtual) implementation support mission was carried out in the first week of May 2022		
Planned Site Visits by AIIB:	Site visits by AIIB will be subject to the prevailing pandemic situation and based on the project management requirements		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021/12		

2. Project Summary and Objectives

The project comprises 21 subprojects in separate geographic locations in western Nepal, each consisting of the following three components.

- Component 1: Construction of 33 kilo Volt (kV) supply lines and 33/11kV substations (including upgrade of existing facilities where needed)
- Component 2: Construction of 11kV lines, distribution transformers and low voltage supply lines
- Component 3: Capacity Building and Project Implementation Support

The objective of the project is to increase access to and improve quality and efficiency of electricity supply in selected areas of western Nepal.

The primary beneficiaries of the Project are: (i) new consumers, both residential and non-residential, who will

have access to grid-electricity, and (ii) existing consumers who are already connected to the grid and will be provided with additional loads and a better quality of electricity supply.

3. Key Dates

Approval:	Dec. 12, 2019	Signing:	May. 18, 2020
Effective:	Nov. 10, 2020	Restructured (if any):	
Orig. Closing:	Jun. 01, 2025	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	0.42	Most recent disbursement (amount/date):	0.28/Nov. 10, 2020
Undisbursed:	111.88	Disbursement Ratio (%) ¹ :	0.38

5. Project Implementation Update

Technical designs have been finalized.

There are 7 packages (works – 6; and services – 1) under this project estimated to cost USD 101 million. Following the physical mission (in early June 2022), many pending matters (particularly E&S) were resolved and NEA has already initiated procurement of 6 packages (works – 5; and services – 1) estimated to cost USD 81 million (approximately 80%). It is expected that contracts for all these packages will be concluded by the end of Q3 or early Q4 2022. Procurement for the last package is expected to be initiated in Q3 2022 and contract signature is expected to happen by Q4 2022

ESMPs for 5 works packages (15 sub-projects) have been submitted to AIIB for approval. E&S document preparation and visits for the balance sub-projects is in progress.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Construction of 33kV supply lines and 33/11kV substations (including upgrade of existing facilities where needed). This component comprises activities facilitating the enhancement of	Construction yet to commence	ESMPs for 5 works packages (for 15 sub-projects) have been submitted to AIIB for approval. E&S document preparation and visits for the balance sub-projects is in progress.	Procurement for 5 out of 6 works packages has been initiated. The last package is expected to be tendered out in Q3 2022.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

<p>the network below transmission (sub-transmission). It consists of the construction of new 33/11kV primary substations and the extension of 33kV lines to the 33kV network to supply these new substations. In some instances, where needed, the existing 33kV lines would be augmented by the increase of conductor size or number of circuits.</p>			
<p>Component 2: Construction of 11kV lines, distribution transformers, low-voltage (LV) supply lines including consumer connections.</p> <p>This component comprises activities related to the new power distribution facilities required to bring the power supply to the ultimate consumers. It consists of new 11kV feeders, installation of distribution transformers, development of the LV network and service connections to consumers.</p>	Construction yet to commence	ESMPs for 5 works packages (for 15 sub-projects) have been submitted to AIIB for approval. E&S document preparation and visits for the balance sub-projects is in progress.	Procurement for 5 out of 6 works packages has been initiated. Procurement for the last package is expected to be initiated in Q3 2022.
Component 3: Capacity Building and Project Implementation Support	N/A	N/A	Request for Expression of Interest for the project supervision consultant has been published and submissions received. has shortlisted eligible firms.

<p>This component focuses on improving the capacity of NEA's distribution planning and analyzes the network performance of the proposed project components. This component will also finance an independent project supervision and monitoring support that the PIU needs for project implementation. AIIB will finance technical assistance, utilizing the geographical information systems (GIS) planning software already acquired using the PSF.</p>			<p>Submission of RFP documents by the eligible firms is in progress.</p>
--	--	--	--

Financial Management:

The PIU shall share the proposed annual work plan and budget for FY22/23 with AIIB. The finance/accounts staff member of the PIU has been transferred recently. The PIU has been advised to avoid such replacements, to the extent possible.

The PIU will need to submit documentation of advance payment at the earliest, including a new authorized signatory letter through MoF. Project audited financial statements are due to be submitted by July 31, 2022.

6. Status of the Grievance Redress Mechanism (GRM)

NEA management has approved the project grievance redress mechanism (GRM) structure and is in the process of setting this up at the subproject level. The GRM includes a procedure to receive and facilitate resolution of project-affected peoples' concerns, complaints and grievances about any irregularities in application of the ESMF or site-specific instruments. The GRM would not preempt legal access to the courts or the project-affected people's mechanism for resolution of grievances. The GRM will operate at three levels: (i) Tier 1 will be established at the municipality level and led by the municipality chief; (ii) Tier 2 will be led by the Project Manager; and (iii) Tier 3 will be established at each district and led by Chief District Officer. NEA is in the process of securing confirmation for the participation of said local officials in the Project GRM. Status will be monitored closely and updated in the PIMR. No complaints have been received.

7. Results Monitoring

It is too early to provide any actual results. The objective of the project is to increase access to and improve quality and efficiency of electricity supply in selected areas of western Nepal.

Project Objective Indicators #1

New households connected to electricity; people provided with new electricity service (including female beneficiaries)
(Number)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	6,533; 28,744 (14,660)	N/A	
Dec. 31, 2024	32,852; 144,549 (73,720)	N/A	

Project Objective Indicators #2

New commercial & industrial connections provided (Number)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	427	N/A	
Dec. 31, 2024	2,137	N/A	

Project Objective Indicators #3

Existing households with improved service quality; people provided with improved service quality (including female beneficiaries) (Number)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	4,400; 19,360 (9,874)	N/A	
Dec. 31, 2024	44,000; 193,600 (98,736)	N/A	

Project Objective Indicators #4

Energy saved from loss reduction (GWh/annum)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	1.5	N/A	
Dec. 31, 2024	15.3	N/A	

Project Objective Indicators #5

Additional capacity provided to the distribution system (MVA)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	10	N/A	
Dec. 31, 2024	150	N/A	

Intermediate Result Indicators #1

33/11kV substations constructed (Number)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	2	N/A	
Dec. 31, 2024	21	N/A	

Intermediate Result Indicators #2

33kV lines constructed (Km)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	35	N/A	
Dec. 31, 2024	468	N/A	

Intermediate Result Indicators #3

11kV lines constructed (Km)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	200	N/A	
Dec. 31, 2024	1945	N/A	

Intermediate Result Indicators #4

Distribution transformers installed (Number)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	310	N/A	
Dec. 31, 2024	3779	N/A	

Intermediate Result Indicators #5

Service connections made (Number)

Year	Target	Actual	Comments, if any
Dec. 31, 2023	6960	N/A	
Dec. 31, 2024	34800	N/A	

Intermediate Result Indicators #6

Existing 11 kV lines supplied from new networks

Year	Target	Actual	Comments, if any
Dec. 31, 2023	1	N/A	
Dec. 31, 2024	2	N/A	

Remarks:
