

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	Lead 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:	Susrutha Goonasekera, OSD - Social Development Specialist; Liu Yang, Project Counsel; Yogesh Malla, OSD - Financial Management Specialist; Xinchen Zhang, 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 Oct, 2022 Hybrid (Physical+Virtual) implementation support mission Aug, 2023 Virtual Implementation Support/Review Mission		
Planned Site Visits by AIIB:	Site visits by AIIB will be 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:	2022/12		

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:	9.83	Most recent disbursement (amount/date):	3.50/Nov. 10, 2020
Undisbursed:	102.47	Disbursement Ratio (%) ¹ :	8.76

5. Project Implementation Update

There have been delays in finalizing the detailed technical designs and the E&S studies on account of lockdowns and restrictions due to COVID-19. The project was approved in December 2019 and was declared effective in November 2020. Procurement is now back on track and all contracts under the project have now been awarded.

There are 7 contract packages (civil – 6; and Services - 1), all under prior review in this Project. As of this date, all contracts have been awarded and contractors are on board. During the recent mission, the AIIB was informed that preliminary survey for most of the packages is in progress/ has been completed. AIIB will review the physical progress on regularly.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Construction of 33kV supply lines and 33/11kV substations (including upgrade of existing facilities)	Construction yet to commence	ESMPs for all sub-projects have been approved. RAP for Laxmana sub station has been reviewed and cleared by AIIB. NEA was requested to upload the cleared RAP on the NEA website and	Procurement for all 6 works packages has been completed.

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>where needed).</p> <p>This component comprises activities facilitating the enhancement of 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>share the link with AIIB for Bank disclosure.</p> <p>The RAP for Samaila sub-station and Community Development Plan are being reviewed by AIIB.</p> <p>The recruitment of E&S officers at NEA is still pending and the mission recommended that E&S officials needed to be onboarded as a priority.</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>	<p>Construction yet to commence</p>	<p>ESMPs for all sub-projects have been approved.</p> <p>RAP for Laxmana sub station has been reviewed and cleared by AIIB. NEA was requested to upload the cleared RAP on the NEA website and share the link with AIIB for Bank disclosure.</p> <p>The RAP for Samaila sub-station and Community Development Plan are being reviewed by AIIB.</p> <p>The recruitment of E&S officers at NEA is still pending and the mission recommended that E&S officials needed to be onboarded as a priority.</p>	<p>Procurement for all 6 works packages has been completed.</p>

<p>Component 3: Capacity Building and Project Implementation Support</p> <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>	N/A	N/A	The Project Supervision Consultant contract has been awarded.
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Financial Management:

Audit of the financial statements for the PPSF grant remains outstanding. NEA has informed that this shall be finalized and shared with AIIB by October 31, 2023.

IUFR for the financial year 2022/23 shall be submitted by September 15, 2023. The client requested some clarifications regarding the accounting of counterpart contributions in the IUFRs, which were clarified by AIIB during the recent virtual mission. Project audited financial statements are due by January 15, 2024.

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.

The progress review conducted in August 2023 confirmed that the first and second level GRM had been formed and the letters to form the third level GRM has been submitted to the District Office.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

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.

Remarks:

Project Objective Indicators	Indicator level	Unit Measure of	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
New households connected to electricity; people provided with new electricity service (including female beneficiaries)	Project	Number	2019	0	0		0		0		0		6,533; 28,744 (14,660)		32,852; 144,549 (73,720)		2030	81,660; 359,302 (183,244)		Annually	NEA	
New commercial & industrial connections provided	Project	Number	2019	0	0		0		0		0		427		2,137		2030	5,342		Annually	NEA	
Existing households with improved service quality; people provided with improved service quality (including female beneficiaries)	Project	Number	2019	0	0		0		0		0		4,400; 19,360 (9,874)		44,000; 193,600 (98,736)		2030	44,000; 193,600 (98,736)		Annually	NEA	
Energy saved from loss reduction	Project	GWh/annum	2019	0	0		0		0		0		1.5		15.3		2030	15.3		Annually	NEA	
Additional capacity provided to the distribution system	Project	MVA	2019	0	0		0		0		0		10		150		2030	150		Annually	NEA	

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
33/11kV substations constructed	Project	Number	2019	0	0		0		0		0		2		21		2030	21		Annually	NEA	
33kV lines constructed	Project	Km	2019	0	0		0		0		0		35		468		2030	468		Annually	NEA	

11kV lines constructed	Project	Km	2019	0	0		0		0		0		200		1,945		2030	1,945		Annually	NEA	
Distribution transformers installed	Project	Number	2019	0	0		0		0		0		310		3,779		2030	3,779		Annually	NEA	
Service connections made	Project	Number	2019	0	0		0		0		0		6,960		34,800		2030	87,001		Annually	NEA	
Existing 11 kV lines supplied from new networks	Project	Number	2019	0	0		0		0		0		1		2		2030	12		Annually	NEA	