

SBF Project Implementation Monitoring Report

Nepal: Nepal Distribution System Upgrade and Expansion Project

1. Project Information

Project ID:	000086	Investment Number:	L0086A
Member:	Nepal	Region:	Southern asia
Sector:	Energy	Sub-sector:	
AiIB Financing Type:	Loan: 112.3 USD million	Co-financier(s):	Stand-alone
E&S category:	B	Borrower:	Nepal
Red Flags Assigned:	0	Monitoring Regime:	Regular Monitoring
Implementing Agency:	National Electricity Authority (NEA)		
Project Team Leader:	Pratyush Mishra		
Project Team Members:	Haiyan Wang, Senior Finance Officer Irish Fe Aguilar, Social Development Specialist Amy Chua Fang Lim, Environmental Specialist Liu Yang, Counsel - Investment Operations Jurminla Jurminla, Procurement Specialist Ning Wu, Financial Management Consultant		
Completed Site Visits by AiIB:	Last Physical site visits were conducted in August, 2019. Since the virtual missions are being carried out to engage with the client.		
Planned Site Visits by AiIB:	Feb, 2021 E&S site visit by AiIB consultant		

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. 30, 2025	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

a) Committed:	112.3	b) Cancellation (if any):	
c) Disbursed:	0	d) Most recent disbursement: (amount / date)	0,
e) Undisbursed:	112.3	f) Disbursement Ratio(%) ¹ :	0

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

Technical designs are being finalized and E&S site visits are in progress. Bid documents are expected to be prepared once these to activities are completed

An environmental and social management framework (ESMF) has been developed to cover the entire Electrification Program in Western Nepal, including the Project. The ESMF (i) provides an overview of the Project and its components; (ii) explains the generally anticipated environment and social risks and impacts, mitigation measures and monitoring activities for each subproject under the Project (i.e., alignment of proposed distribution lines to each substation); (iii) specifies the requirements that will be followed in relation to E&S screening, categorization, and assessment, including monitoring, meaningful consultation with subproject-affected people and relevant stakeholders, and information disclosure requirements; and (iv) specifies the E&S criteria that determine the required E&S instruments to be prepared for each subproject.

Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>Component 1: Construction of 33kV supply lines and 33/11kV substations (including upgrade of existing facilities 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>	Construction yet to commence	E&S site visits to commence at the end of the month	Bid documents will be prepared once the technical design and E&S visits are completed
<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	E&S site visits to commence at the end of the month	Bid documents will be prepared once the technical design and E&S visits are completed
<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	Bid documents for the supervision consultant are under preparation

Financial Management:

FM reports are not due yet and the reviews will be conducted during virtual missions.

The financial management system of NEA is applicable to the Project. A project annual budget will be prepared in May every year together with the annual budget of NEA, based on the procurement plan and activity schedule. The approved project annual budget will be submitted to the Bank as one of tools to monitor the progress of the Project. The contracts under the Project will be signed by the project manager. The Nepal Accounting Standards will apply, including the accrual method, to project financial statements. NEA's Internal Audit Department will audit the Project semi-annually and submit the audit reports to the audit committee of NEA. The Office of the Auditor General, Nepal, will audit the project account, in accordance with the Nepal Auditing Standards. The audited project financial statements together with the auditors' reports will be submitted to the Bank within 6 months after the end of the fiscal year.

6. Status of the Grievance Redress Mechanism (GRM)

GRM will be set up as per AIIB's E&S policies. Status will be monitored closely and updated in the PIMR.

NEA will establish a project-level grievance redress mechanism (GRM) in accordance with the requirements of AIIB's ESP for the Project. The GRM will include 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) PIU field officers will receive and respond to grievances from project-affected people, and seek to resolve minor grievances; (ii) if the grievance cannot be resolved at the field level, it will be referred to a PIU grievance committee; and (iii) if the matter cannot be resolved at the PIU grievance committee level, the matter will be referred to a multistakeholder grievance redress committee.

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.

Baseline Year: Dec. 31, 2019 End Target Year: Dec. 31, 2030

Project Objective Indicators	Year	Target	Actual	Others, if any
New households connected to electricity; people provided with new electricity service (including female beneficiaries) (Number)	Dec. 31, 2024	32,852; 144,549 (73,720)	N/A	
New commercial & industrial connections provided (Number)	Dec. 31, 2024	2,137	N/A	
Existing households with improved service quality; people provided with improved service quality (including female beneficiaries) (Number)	Dec. 31, 2024	44,000; 193,600 (98,736)	N/A	
Energy saved from loss reduction (GWh/annum)	Dec. 31, 2024	15.3	N/A	
Additional capacity provided to the distribution system (MVA)	Dec. 31, 2024	150	N/A	

Intermediate Result Indicators	Year	Target	Actual	Others, if any
33/11kV substations constructed (Number)	Dec. 31, 2024	21	N/A	
33kV lines constructed (Km)	Dec. 31, 2024	468	N/A	
11kV lines constructed (Km)	Dec. 31, 2024	1945	N/A	
Distribution transformers installed (Number)	Dec. 31, 2024	3779	N/A	
Service connections made (Number)	Dec. 31, 2024	34800	N/A	
Existing 11 kV lines supplied from new networks	Dec. 31, 2024	2	N/A	

Remarks: