

## 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:	Susrutha Goonasekera, OSD - Social Development Specialist; Liu Yang, Project Counsel; Yogesh Malla, OSD - Financial Management 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 Oct, 2022 Hybrid (Physical+Virtual) implementation support mission		
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:	2022/06		

### 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:	3.07	Most recent disbursement (amount/date):	2.50/Nov. 23, 2022
Undisbursed:	109.23	Disbursement Ratio (%) <sup>1</sup> :	2.73

### 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 in a very advanced stage of completion.

There are 7 contract packages (civil – 6; and Services - 1) all under prior review in this Project. As of this date, contracts for 2 civil works packages were signed and procurement for the remaining civil works packages are in advanced stages (3 packages under financial evaluation and 1 package under technical evaluation). It is expected that procurement for all these packages will be concluded in Q1 2023. For the services package, NEA is currently negotiating a contract with the highest ranked firm and contract signing is expected within Q1 2023

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).	Construction yet to commence	ESMPs for all sub-projects have been approved.  Social safeguard reports (resettlement action plan (RAP), due diligence report (DDR) and community development plan(CDP)) are under preparation	Procurement for all 6 works packages has been initiated.

<sup>1</sup> 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>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>and shall be finalized in Q1 2023.</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>Social safeguard reports (resettlement action plan (RAP), due diligence report (DDR) and community development plan(CDP)) are under preparation and shall be finalized in Q1 2023.</p>	<p>Procurement for all 6 works packages has been initiated.</p>
<p>Component 3:</p>	<p>N/A</p>	<p>N/A</p>	<p>Contract negotiation with</p>

<p>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>			<p>the highest ranked bidder is under way. The contract is expected to be signed by Q1 2023</p>
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**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.

**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 October 2022 confirmed that the first and second level GRM had been formed and the third level GRM will be formed by the end of Q1 2023. The client was advised the the members of GRM had to be oriented prior to the handover of sites.

## 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	
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**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:**