

Project Implementation Monitoring Report (#7)

Reporting Period From 2023/09 To 2024/06

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:	PSC1		
Project Team Members:	Susrutha Goonasekera, OSD - Social Development Specialist; Liu Yang, Project Counsel; Yogesh Malla, OSD - Financial Management Specialist; Jurminla Jurminla, OSD - Procurement Specialist; Parikshit Gautam, OSD - Environment 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:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/08		
Brief justifications for assigned red flags:	Low disbursements after 3 years of implementation and expected requirement of extension of loan closing. The red flag could be revisited once the time extension is completed.		

2. Project Summary and Objectives

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

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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:	12.23	Latest disbursement (amount/date):	2.00/Mar. 13, 2024
Undisbursed:	100.07	Disbursement Ratio (%) ¹ :	10.89

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. Detailed designs are in progress. AIIB will review the physical progress regularly.

Components	Physical Progress	Environmental & Social Compliance	Procurement
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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.

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<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>	<p>Construction yet to commence</p>	<p>ESMPs for all sub-projects have been approved.</p> <p>RAP for Laxmana and Samaila substations have been reviewed and cleared by AIIB. NEA has uploaded the cleared RAPs on the NEA website and shared the link with AIIB for Bank disclosure.</p>	<p>Procurement for all 6 works packages has been completed.</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</p>	<p>Construction yet to commence</p>	<p>ESMPs for all sub-projects have been approved.</p> <p>RAP for Laxmana and Samaila substations have been reviewed and cleared by AIIB. NEA has uploaded the cleared RAPs on the NEA website and shared the link with AIIB for Bank disclosure.</p>	<p>Procurement for all 6 works packages has been completed.</p>

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<p>consists of new 11kV feeders, installation of distribution transformers, development of the LV network and service connections to consumers.</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>	<p>N/A</p>	<p>N/A</p>	<p>The Project Supervision Consultant contract has been awarded.</p>

Financial Management:

Audited financial statements for both the PPSF and loan have been received and are under review.

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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.

All 3 tiers of the GRM have been established

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

Since there has been a marked delay in commencement of construction due to reasons mentioned earlier, the results for 2023 have not been achieved. Now that things are back on track, it is expected that that the loan closing will need to be extended. The Project Team is in discussions with NEA with regards to the quantum of extension, post which a formal request for extension is expected to be received.

Remarks:

The results monitoring framework is expected to be reviewed/revised once the expected formal request for loan extension is received.

Project Objective Indicators	Indicator level	Unit of Measure	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	0	0	0	6,533; 28,744 (14,660)	0	32,852; 144,549 (73,720)	0	2030	81,660; 359,302 (183,244)	0	Annually	NEA		
New commercial & industrial connections provided	Project	Number	2019	0	0	0	0	0	0	0	0	427	0	2,137	0	2030	5,342	0	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	0	0	0	4,400; 19,360 (9,874)	0	44,000; 193,600 (98,736)	0	2030	44,000; 193,600 (98,736)	0	Annually	NEA		
Energy saved from loss reduction	Project	GWh/annum	2019	0	0	0	0	0	0	0	0	1.5	0	15.3	0	2030	15.3	0	Annually	NEA		
Additional capacity provided to the distribution system	Project	MVA	2019	0	0	0	0	0	0	0	0	10	0	150	0	2030	150	0	Annually	NEA		

Project Intermediate Indicators	Indicator level	Unit of Measure	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	0	21		2030	21		Annually	NEA	
33kV lines constructed	Project	Km	2019	0	0		0		0		0		35	0	468		2030	468		Annually	NEA	
11kV lines constructed	Project	Km	2019	0	0		0		0		0		200	0	1,945		2030	1,945		Annually	NEA	
Distribution transformers installed	Project	Number	2019	0	0		0		0		0		310	0	3,779		2030	3,779		Annually	NEA	
Service connections made	Project	Number	2019	0	0		0		0		0		6,960	0	34,800		2030	87,001		Annually	NEA	
Existing 11 kV lines supplied from new networks	Project	Number	2019	0	0		0		0		0		1	0	2		2030	12		Annually	NEA	