



Nepal: Electricity Grid Modernization Project

Project Name	Electricity Grid Modernization Project
Project Number	54107-001
Country / Economy	Nepal
Project Status	Active
Project Type / Modality of Assistance	Loan

Loan 4014-NEP: Electricity Grid Modernization Project

Source of Funding / Amount	Concessional ordinary capital resources lending	US\$ 156.00 million
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Loan 4109-NEP: Electricity Grid Modernization Project " **Additional Financing**

	Concessional ordinary capital resources lending	US\$ 60.00 million
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Operational Priorities	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP4: Making cities more livable OP6: Strengthening governance and institutional capacity OP7: Fostering regional cooperation and integration
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Sector / Subsector **Energy** / Electricity transmission and distribution

Gender Effective gender mainstreaming

The project will finance high-priority electricity grid modernization investments both in transmission and distribution system in Nepal under the following outputs:

Description

Output 1: Electricity transmission capacity in project areas strengthened and modernized. The project will finance (i) automation of 40 grid substations throughout the country; (ii) construction of 3 units of modern 132/11 kV grid substations with automation (each with 2x45 megavolt amperes [MVA] capacity) together with 16 km of 132 kV double circuit underground line along Chobhar-Lagankhel-Sinamangal, and 5 km of 66 kV double circuit underground transmission line along Sinamangal-Chabahil in Kathmandu Valley; (iii) upgrading of 237 km of 132 kV transmission lines with more efficient high-temperature-low-sag conductors; and (iv) commissioning of transmission system consisting of 4 automated grid substations with capacity of 290 MVA and 48 km transmission lines in Myagdi and Dhading districts.

Output 2: Electricity distribution system in project areas modernized. This will include (i) construction of distribution control center in Kathmandu; (ii) installation of additional 350,000 smart meters in Kathmandu Valley; (iii) construction of 8 substations with automation along with distribution system reinforced and extended in Dhading, Dharan, Morang, Nepalgunj, Parasi, Sindhupalchowk and Surkhet; and (iv) 150,000 new households (including xx women-headed households) connected to the national grid.

Output 3: Capacity of NEA and electricity users in project areas strengthened. Considering the importance of continued support to NEA and users, the project will support increasing knowledge of (i) at least 40 eligible NEA staff (including 30% eligible women) on automation of grid substations; (ii) at least 30 eligible NEA staff (including 30% women) on NEA's organizational development; (iii) at least 20 eligible NEA staff (including 30% women) on putting in place improved billing and collection measures; and (iv) at least 2,000 electricity consumers in project areas (40% women and disadvantaged group on safe and efficient use at distribution centers. The project will also support implementation of key actions from NEA's gender equality and social inclusion (GESI) strategy and operational guidelines in its regional offices, to complement corporate level activities covered under a forthcoming project.

These outputs will result in the following outcome: access to efficient grid electricity supply in Nepal improved. The project will be aligned with the following impact: investments in industrial and commercial hubs promoted.

Project Rationale and Linkage to Country/Regional Strategy

Nepal is a landlocked, mountainous country located between the large and fast-growing economies of the People's Republic of China to the north and India to the east, west, and south. Nepal's gross domestic product (GDP) growth averaged 7.3% during FY2017FY2019. With deepening economic uncertainties because of the coronavirus disease (COVID-19) pandemic, compounded by social and health emergencies, the preliminary estimates from the Central Bureau of Statistics in Nepal show that GDP growth will significantly decline to 2.3% in FY2020. The need to stimulate post-COVID-19 economic recovery by developing Nepal's infrastructure has become more relevant.

Impact	Reliable and efficient electricity for all achieved NEA developed as modern and sustainable corporate entity that provides reliable services to its customers
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Project Outcome

Description of Outcome	Reliability, efficiency, and financial sustainability of electricity supply in Nepal improved
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Progress Toward Outcome

Implementation Progress

Description of Project Outputs	Electricity transmission capacity in project areas strengthened and modernized Electricity distribution system in project areas strengthened and modernized Capacity of NEA to implement its corporate development plan strengthened
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Status of Implementation Progress (Outputs, Activities, and Issues)	Implementation is ongoing
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Geographical Location	Nation-wide
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Safeguard Categories

Environment	B
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Involuntary Resettlement	B
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Indigenous Peoples	B
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Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services	The project will be implemented and supervised by the project management unit under the Project Management Directorate (PMD) of NEA. NEA will assign a dedicated team headed by a project director. Environmental and Social Management Plans and Occupational Health and Safety Plan implementation and monitoring support will be provided to the safeguard unit at PMD. A project supervision consultant will be hired to support NEA in implementing the project. Most of the contracts are expected to be tendered as turnkey for project implementation. Procurement (including consulting services) will follow ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The government will ensure proper coordination during implementation of this project.
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Procurement Nepal Electricity Authority (NEA) is the proposed executing and implementing agency which has significant experience in implementing ADB projects and established processes and capacity to handle ADB procurement. While most of the contracts are limited to specific geographical area, the substation automation package involves 40 substations throughout the country but would be easy to implement.

Responsible ADB Officer Shah, Grishma
 Responsible ADB Department Sectors Group
 Responsible ADB Division Energy Sector Office (SG-ENE)
 Executing Agencies *Nepal Electricity Authority (NEA)*

Timetable

Concept Clearance 03 Jun 2020
 Fact Finding 22 Jun 2020 to 26 Jun 2020
 MRM 20 Aug 2020
 Approval 26 Nov 2020
 Last Review Mission -
 Last PDS Update 16 Sep 2022

Loan 4014-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
26 Nov 2020	30 Dec 2020	04 Feb 2021	30 Sep 2026	-	-

Financing Plan

Loan Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	195.00	Cumulative Contract Awards			
ADB	156.00	25 Apr 2024	132.99	0.00	85%
Counterpart	39.00	Cumulative Disbursements			
Cofinancing	0.00	25 Apr 2024	39.51	0.00	25%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Satisfactory

Loan 4109-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual

17 Sep 2021 26 Nov 2021 08 Feb 2022 30 Sep 2026 - -

Financing Plan

Loan Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	75.00	Cumulative Contract Awards			
ADB	60.00	25 Apr 2024	58.20	0.00	97%
Counterpart	15.00	Cumulative Disbursements			
Cofinancing	0.00	25 Apr 2024	5.84	0.00	10%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Satisfactory

Project Page <https://www.adb.org/projects/54107-001/main>

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