

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The energy sector in Nepal has received substantial assistance from various international development partners. The Asian Development Bank, the Japan International Cooperation Agency (JICA), and the World Bank have been the major sources of external funding to the sector, focusing on reforms in generation, facility rehabilitation and improvement, and development of renewable energy resources. In addition, bilateral development partners—including Danish International Development Assistance, German development cooperation through GIZ and KfW, the Norwegian Agency for Development Cooperation, and the United States Agency for International Development—have been active in the energy sector. Further, the Canadian International Development Agency, the Department for International Development of the United Kingdom, JICA, the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the European Union, the Finnish Department for International Development Cooperation, the Government of France, and the United Nations Development Programme have all provided assistance to the energy sector.

Major Development Partners

Sectors and Themes	Development Partner	Project Name	Duration	Amount
Economic Growth	World Bank	Power Development Project	June 2009	\$89.2 million
	World Bank	Kabeli Transmission Project	May 2011	\$38.0 million
	World Bank	Nepal–India Electricity Transmission and Trade Project	June 2011	\$99.0 million
	JICA and JBIC	Kulekhani Disaster Prevention Project	2000–2001	¥590 million
	JICA and JBIC	Kali Gandaki A Hydroelectric Project	2000–2007	¥8.654 billion
	JICA and JBIC	Project for Extension and Reinforcement of Power Transmission and Distribution System	2001–2003	¥1,396 million
	JICA and JBIC	Construction of Kawasoti Substation	2007–2008	¥874 million
	JICA and JBIC	Upgrading feasibility study on Upper Seti (Damauli) storage hydroelectric project	2004–2008	¥228 million
	Danida	Kailali-Kanchanpur Rural Electrification Project	2000–2005	\$9.1 million
	Danida	Energy Sector Assistance Programme	1999–2004	\$23.9 million
	Norway	Khimti–Khola hydro electric project	1999	NKr568 million
	Norway	NEA Transmission and distribution project	1999	NKr75 million

Danida = Danish International Development Assistance, JBIC = Japan Bank for International Cooperation, JICA= Japan International Cooperation Agency. NEA = Nepal Electricity Authority

Sources: World Bank; Government of Japan; Danish International Development Agency; Government of Norway

B. Institutional Arrangements and Processes for Development Coordination

2. Coordination of assistance by the major development partners is within the purview of the Ministry of Finance while coordination within the energy sector is under the Ministry of Energy. Coordination among the development partners is handled through the local energy sector coordination group chaired by the Asian Development Bank (ADB). Regular meetings of the energy sector coordination group provide the opportunity to exchange information and share experience of implementation of various projects under different development partners. In addition to these meetings, there are meetings at bilateral level between ADB and other development partners where relevant issues are discussed and a coherent view is presented to the government.

C. Achievements and Issues

3. To date, ADB has provided over \$400 million of investment assistance to Nepal's energy sector. It has also provided about \$10 million of technical assistance. ADB has coordinated development partners' interactions and helped bilateral sources to channel their assistance, minimizing the potential for overlapping assistance and conflicting policy advice. As a result, the development partners and ADB in particular have been able to contribute to achieving reasonable progress on policy, regulatory, and operational aspects of the sector. Some key examples are the reconstitution of the disbanded Electricity Tariff Fixation Commission and selection of the managing director of the Nepal Electricity Authority through open competition. Such coordination has led to collaboration between ADB and the Government of Norway in supporting the development of the large hydropower subsector, in which Norwegian cofinancing of ADB projects has been committed.

D. Summary and Recommendations

4. The government needs to commission a study to revise and update the hydropower and transmission master plans, particularly considering the increasing emphasis on energy exports to India. In addition, an integrated transmission master plan study—encompassing the transmission system of Nepal and the Northern Indian Grid—may be undertaken under the auspices of regional cooperation. The government also needs to continue its progress on improving governance in the sector by establishing a fully-fledged regulator with adequate powers, covering both economic and technical regulation in the sector, as a priority. Development partners can coordinate their efforts in this regard by taking it as a regular item in their policy dialogue with the government, and by providing coordinated assistance to such a regulator.