

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Focus and Key Activities

1. The energy sector in Nepal, especially the on-grid electricity segment, continues to receive substantial assistance from various international development partners. The Asian Development Bank (ADB), European Investment Bank, Japan International Cooperation Agency (JICA), and the World Bank have been the major sources of external funding to the sector, focusing on expansion and upgrades of generation, transmission, and distribution facilities, development of renewable energy resources, and support to sector reforms. Bilateral development partners with energy sector activities are Danish International Development Assistance (Danida); German development cooperation through GIZ and KfW; the Government of Norway; the United States Agency for International Development; 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 governments of the People's Republic of China, France, and India; and the United Nations Development Programme. The Millennium Challenge Corporation (of the United States) selected Nepal to begin its operations in December 2014. Major projects are summarized in the table below.

**Major Development Partners**

Development Partner	Project Name	Duration	Amount
ADB	Solar Energy Development (Additional Financing to SASEC)	2016–2021	\$20.0 million
World Bank	Grid Solar and Energy Efficiency	2015–2020	\$130.0 million
ADB	South Asia Subregional Economic Cooperation Power System Expansion	2014–2021	\$180.0 million
ADB	Project Preparation Facility	2013–2020	\$21.0 million
ADB	Tanahu Hydropower Project	2013–2020	\$150.0 million
JICA	Tanahu Hydropower Project	2013	\$184.0 million
World Bank	Kali Gandaki A Hydropower Plant Rehabilitation Project	2013–2017	\$27.26 million
Danida, Norway	National Rural Renewable Energy Program	2012	\$170.0 million
ADB and Norway	Transmission Expansion and Supply Improvement Project	2011–2017	\$100.0 million
World Bank	Nepal–India Electricity Transmission and Trade Project	2011–2016	\$138.0 million
World Bank	Kabeli Transmission Project	2011–2015	\$38.0 million
ADB	Energy Access and Efficiency Improvement Project	2009–2015	\$65.0 million
JICA and JBIC	Construction of Kawasoti Substation	2007–2008	¥874.0 million
World Bank	Village Micro Hydro	2007–2015	\$29.2 million
World Bank	Biogas Program	2006–2015	\$18.5 million
JICA and JBIC	Upgrading feasibility study on Upper Seti (Damauli) storage hydroelectric project	2004–2008	¥228.0 million
World Bank	Power Development Project	2003–2013	\$164.8 million
JICA and JBIC	Project for Extension and Reinforcement of Power	2001–2003	¥1,396.0 million

Development Partner	Project Name	Duration	Amount
	Transmission and Distribution System		
JICA and JBIC	Kulekhani Disaster Prevention Project	2000–2001	¥590.0 million
JICA and JBIC	Kali Gandaki A Hydroelectric Project	2000–2007	¥8.65 billion
Danida	Kailali-Kanchanpur Rural Electrification Project	2000–2005	\$9.1 million
Danida	Energy Sector Assistance Programme	1999–2004	\$23.9 million
Norway	Khimti–Kholra Hydro Electric Project	1999	NKr568.0 million
Norway	NEA Transmission and distribution Project	1999	NKr75.0 million
ADB	Rural Electrification, Distribution, and Transmission Project	1999–2005	\$60.0 million

ADB = Asian Development Bank, 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.

Notes:

1. This captures only the key development programs, and the amounts indicated might have changed during further processing and implementation.
2. International Development Association (IDA) commitments of \$9.4 million plus commitments through the World Bank from Danida, United Nations Development Programme, and Prototype Carbon Fund.
3. Commitments through World Bank from the Government of the Netherlands, KfW, and the Prototype Carbon Fund; no direct commitments from International Bank for Reconstruction and Development or IDA.

## B. Institutional Arrangements and Processes for Development Coordination

2. Nepal's Ministry of Finance has responsibility for the overall coordination of financial and technical assistance. The Ministry of Energy is responsible for coordinating on-grid energy programs. The Alternative Energy Promotion Center is responsible for off-grid energy programs. Coordination between the development partners is handled through the local energy sector coordination group chaired by ADB, which holds regular meetings to exchange information and share experiences from the implementation of various projects under different development partners. ADB and other development partners meet jointly as well as on a bilateral basis, where issues are discussed and a coherent view is presented to the government.

## C. Achievements and Issues

3. To date, ADB has provided over \$815 million of investment assistance to Nepal's energy sector (not including cofinancing) and more than \$20 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. Thus, the development partners and ADB 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 transmission segments, in which Norwegian cofinancing of ADB projects has been committed. The European Investment Bank has also contributed

cofinancing to ADB's most recent South Asia Subregional Economical Cooperation Power System Expansion Project<sup>1</sup> and Tanahu Hydropower Project.<sup>2</sup>

4. A transmission master plan has been drawn up with support from the World Bank, which will facilitate better coordination of grid expansion and new generation project development. Similarly, a distribution master plan is being prepared with support from ADB and the Government of Norway to plan and coordinate the expansion of Nepal's electricity distribution through grid and off-grid systems. A generation master plan for hydropower storage plants has also been prepared with support from JICA. A comprehensive cross-border power trading agreement is needed to facilitate near-term imports and future exports of power, for which support is being extended to the Government of Nepal from various development partners. The first 400-kilovolt cross-border transmission line began operations in FY2015–2016.

#### **D. Summary and Recommendations**

5. The government also needs to continue its progress in improving governance in the sector by establishing a full-fledged regulator with adequate powers, covering both economic and technical regulations in the sector and enhancing its project implementation capabilities as a priority. Development partners can coordinate their efforts in this regard by taking it up as a regular item in their policy dialogue with the government, and by providing coordinated assistance to such a regulator. Of relevance to the proposed Power Transmission and Distribution Efficiency Enhancement Project, the government needs to ensure the completion of a distribution system master plan that will cover the nationwide electrification strategy.

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<sup>1</sup> ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Grants to Nepal for the South Asia Subregional Economic Cooperation Power System Expansion Project*. Manila.

<sup>2</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Administration of Technical Assistance Grant to Nepal for the Tanahu Hydropower Project*. Manila.