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Technical Assistance Report

Project Number: 50059-003
Transaction Technical Assistance (TRTA)
June 2020

Nepal: South Asia Subregional Economic Cooperation Power Transmission and Distribution System Strengthening Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 20 May 2020)

Currency unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.00823
\$1.00	=	NRs121.46

ABBREVIATIONS

ADB	–	Asian Development Bank
NEA	–	Nepal Electricity Authority

NOTES

- (i) In this report, "\$" refers to United States dollars.

Vice-President	Shixin Chen, Operations 1
Director General	Kenichi Yokoyama, South Asia Department (SARD)
Director	Priyantha Wijayatunga, Energy Division (SAEN), SARD
Team leader	Jiwan Acharya, Principal Energy Specialist, SAEN, SARD
Team members	Aaron Dennis, Social Development Specialist, SAEN, SARD Len George, Senior Energy Specialist, SAEN, SARD Sajid Raza Zaffar Khan, Financial Management Specialist, Portfolio, Results, and Quality Control Unit, Office of the Director General, SARD Rosanna Mae Labitag, Operations Assistant, SAEN, SARD Pushkar Manandhar, Senior Project Officer (Energy), Nepal Resident Mission (NRM), SARD Lyailya Nazarbekova, Principal Counsel, Office of the General Counsel Karen Grace Ochoa, Associate Environment Officer, SAEN, SARD Arun Rana, Senior Project Officer, NRM, SARD Grishma Shah, Project Officer (Energy), NRM, SARD Deepak Singh, Senior Environment Officer, NRM, SARD Suman Subba, Senior Social Development Officer (Gender), NRM, SARD Laxmi Subedi, Senior Social Development Officer (Safeguards), NRM, SARD
Peer reviewer	Dae Kyeong Kim, Senior Energy Specialist (Smart Grids), Energy Sector Group, Sustainable Development and Climate Change Department

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I. THE PROPOSED PROJECT

1. The proposed project will complete the reinforcement and modernization of supply in and around Kathmandu in Bagmati Province. The project will also strengthen evacuation and transmission of hydropower generation to the main load center in Kathmandu and to other load centers, with excess power traded with neighboring countries. Further, the project will begin strengthening distribution systems outside of Kathmandu in a systematic and phased manner starting with the Bharatpur Metropolitan area of Chitwan district in Bagmati Province and Pokhara of Kaski district in Gandaki Province, where supply interruptions are frequent and prolonged. The project will also support Province 2 where the quality of electricity supply is poor and about 20% of households are still without access to the national grid.

II. THE TECHNICAL ASSISTANCE

A. Justification

2. The transaction technical assistance (TA) will provide wide-ranging support to Nepal's energy sector. It will assist the Nepal Electricity Authority (NEA) to (i) implement large-scale electricity supply projects, prepare regulatory submissions, manage projects, and improve financial management practices; (ii) implement and comply with environmental and social safeguards; and (iii) institutionalize gender equality and social inclusion (GESI). The TA will also support the Electricity Regulatory Commission (ERC); NEA; the Ministry of Energy, Water Resources and Irrigation; and Department of Electricity Development implement sector reforms.¹

3. The TA aims to ensure that the energy resources and services to be provided under the proposed loan will effectively reach and benefit poor and vulnerable households, including poor women of different social groups. The TA will help implement the approved GESI implementation strategy, guidelines, and manuals, and strengthen the technical capacity of NEA and its staff to address these aspects within NEA. It will also support identification of poor and disadvantaged households having difficulties to get electricity connection and identify modality to support them. It will also help enhance the skills of women and the disadvantaged in Province 2 to access new employment and business opportunities in new and existing energy-based enterprises including possible shift toward electric vehicle and charging infrastructure for public and private use. The support to strengthen ERC and NEA to create enabling regulatory environment is crucial for the sector development. NEA has many capacity building needs, and the TA will focus on building a sustainable skills development framework within NEA in addition to addressing urgent training needs, including construction supervision and monitoring. Capacity building support for relevant staff of the Ministry of Energy, Water Resources and Irrigation and Department of Electricity Development will also be provided.

B. Outputs and Activities

4. **Output 1: Capacity of Nepal Electricity Authority to implement environmental and social safeguards strengthened.** Key activities will include the following:

- (i) provide training for NEA staff on Asian Development Bank (ADB) safeguard requirements, including comparative analysis of ADB's Safeguard Policy Statement (2009) and Nepalese safeguard frameworks and country systems; and

¹ The TA first appeared in the business opportunities section of the website of the Asian Development Bank (ADB) on 8 October 2019.

- (ii) provide support for project preparation of safeguards documents and implementation of safeguard commitments.

5. **Output 2: Capacity of Nepal Electricity Authority to implement approved gender equality and social inclusion implementation strategy, guidelines, and manuals strengthened.** Key activities will include the following:

- (i) establish a functional GESI secretariat;
- (ii) provide training on NEA GESI strategy, guidelines, and manuals for 500 NEA staff; and
- (iii) pilot GESI-related provisions in eight distribution and customer services offices, including at least one such office in each district of Province 2.

6. **Output 3: Capacity of women, the poor, and the marginalized to efficiently and productively use electricity increased.** Key activities will include the following:

- (i) conduct surveys to identify opportunities for energy-based enterprises, identify capacity needs through target group and family and community gatekeepers, and develop skills for employment in electricity-based businesses;
- (ii) conduct business orientation training for at least 100 women and disadvantaged groups, and provide skills training on electricity-based enterprises for at least 200 women and members of other disadvantaged groups;
- (iii) develop project performance monitoring system to track project performance, including output and outcome indicators; and
- (iv) promote use of induction cooking in at least three community rural electric cooperatives of Province 2, and raise awareness about how to reduce electricity leakage, implement safety measures, and use efficient equipment.

7. **Output 4: Capacity of Nepal Electricity Authority to sustainably execute its functions as transmitter and distributor of electricity strengthened.** There is an urgent need for NEA to develop the skills, experience, and capabilities of all staff, encompassing construction supervision and monitoring, investment planning and implementation, asset management, network operations, new technologies, finance, accounting, and utility management. In addition, the TA will also develop NEA's capacity to comply with ERC requirements. To support the sustainability of this capacity building, NEA's training center is the preferred vehicle through which training courses will be developed and delivered to staff, possibly through an association with an international training organization. The TA will also assist NEA and the government to develop an electric vehicle charging infrastructure strategy. Key activities will include the following:

- (i) conduct capacity building and training needs assessment for NEA, help develop annual training plans and training courses in areas including technical, finance and accounting, management and commercial (regulatory); and
- (ii) develop at least two distribution centers in Province 2 as model distribution centers for planning, information collection and dissemination, and customer care.

8. **Output 5: Capacity of the Ministry of Energy, Water Resources and Irrigation, Electricity Regulatory Commission, Nepal Electricity Authority, and the Department of Electricity Development to perform regulatory functions strengthened.** The key activities would include the following:

- (i) establish regulatory cell within NEA;

- (ii) collaborate with and support ERC in its role as the independent electricity regulator, responsible for setting technical standards, determining tariffs, promoting and protecting competition, monitoring and enforcing compliance with laws and regulations, resolving disputes between licensees, protecting the interests of consumers, and ensuring the safety of workers and the public; and
- (iii) provide support for training and capacity building of the relevant staff of Ministry of Energy, Water Resources and Irrigation and Department of Electricity Development.

C. Cost and Financing

9. The TA is estimated to cost \$5.1 million, of which \$5.0 million² will be financed on a grant basis by the Government of Norway and administered by ADB. The key expenditure items are listed in Appendix 1. The TA grant will finance expenditures for consultants' services, training, workshops, and some equipment.

10. The Government of Nepal will provide counterpart support in the form of counterpart staff and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

11. ADB will administer the TA. ADB's South Asia Department, Energy Division will (i) select, supervise, and evaluate the consultants; (ii) assist in procuring small-value goods and equipment required for promoting efficient use of energy and demonstrating modern electricity distribution centers (following simple requests for quotations and limited bidding, as appropriate); (iii) organize workshops; and (iv) lead in the development of knowledge products in close coordination with NEA.

12. The implementation arrangements are summarized in the table.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	August 2020–July 2025		
Executing agency	ADB		
Consultants	To be selected and engaged by ADB		
	Firm: QCBS (90:10)	Implementation of the gender action plan	\$2.0 million
	Individual: Individual selection	International (50 person-months); national: 200 person-months)	\$2.0 million
Procurement ^a	To be procured by executing agency		
	Request for quotations	3 contracts	\$0.2 million
	Limited competitive bidding	2 contracts	\$0.3 million
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Fixed asset turnover and disposal arrangement upon TA completion will be as per ADB guidelines.		

ADB = Asian Development Bank, QCBS = quality and cost-based selection, TA = technical assistance.

Source: ADB.

² The actual amount is Nkr45 million.

13. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.³ The TA will require 60 person-months of international and 228 person-months of national consultant inputs through a firm that will be recruited following the quality- and cost-based selection method using a 90:10 ratio. The scope and services to be provided do not involve complex or unusual activities and require quick mobilization; therefore, simplified technical proposals are appropriate for recruitment of the consulting firm. In addition, the TA will require 83 person-months of international and 85 person-months of national individual consultant inputs to support other activities, resulting in a total of 143 person-months of international and 313 person-months of national consultant inputs. The consultants will have expertise on various aspects, including gender and social inclusion, entrepreneur development and financial capacity building, and social and environmental safeguards.

14. **ADB's procurement.** Procurement will follow the ADB Procurement Policy and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

15. **Cofinancier requirements.** The Government of Norway's requirements for monitoring and reporting are consistent with those of ADB and are described in the proposed project's design and monitoring framework. There is an additional requirement for external audit using TA funds.

E. Governance

16. Due diligence of NEA for the proposed project includes a financial management assessment, a procurement capacity assessment, and integrity due diligence. No outstanding issues have been identified and action plans are being followed. Continuous support from development partners is needed.

³ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

COST ESTIMATES AND FINANCING PLAN

(\$'000)Item	Amount
A. Government of Norway^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	2,300.0
ii. National consultants	1,400.0
b. Out-of-pocket expenditures	
i. International and local travel	350.0
ii. Reports and communications	50.0
iii. Miscellaneous administration and support costs	25.0
2. Seminars and workshops	
a. Facilitators	150.0
b. Venue rental and related facilities	150.0
c. Participants	250.0
3. Equipment	50.0
4. Surveys	100.0
5. Contingencies ^b	175.0
Total	5,000.0

Note: The technical assistance (TA) is estimated to cost \$5.1 million, of which contributions from the Government of Norway are presented in the table above. The TA may finance staff travel costs if they are used as resource persons. The Government of Nepal will provide counterpart support in the form of counterpart staff and other in-kind contributions. The value of government contribution is estimated to account for 2% of the total TA cost.

^a Administered by the Asian Development Bank (ADB).

^b Includes ADB fee, audit fee, and any other expenses as per the cofinancing agreement signed between ADB and Government of Norway.

Source: ADB estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=50059-003-TARreport>

1. Terms of Reference for Consultants