SBF Project Implementation Monitoring Report

Nepal: Nepal Distribution System Upgrade and Expansion Project

1. Project Information

<table>
<thead>
<tr>
<th>Project ID:</th>
<th>000086</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member:</td>
<td>Nepal</td>
</tr>
<tr>
<td>Sector:</td>
<td>Energy</td>
</tr>
<tr>
<td>Sub-sector:</td>
<td></td>
</tr>
<tr>
<td>AllIB Financing Type:</td>
<td>Loan: 112.3 USD million</td>
</tr>
<tr>
<td>Co-finance(s):</td>
<td>Stand-alone</td>
</tr>
<tr>
<td>E&amp;S category:</td>
<td>B</td>
</tr>
<tr>
<td>Borrower:</td>
<td>Nepal</td>
</tr>
<tr>
<td>Red Flags Assigned:</td>
<td>0</td>
</tr>
<tr>
<td>Implementing Agency:</td>
<td>National Electricity Authority (NEA)</td>
</tr>
<tr>
<td>Project Team Leader:</td>
<td>Pratyush Mishra</td>
</tr>
<tr>
<td>Project Team Members:</td>
<td>Haiyan Wang, Senior Finance Officer, Irish Fe Aguilar, Social Development Specialist, Amy Chua Fang Lim, Environmental Specialist, Liu Yang, Counsel - Investment Operations, Jurminla Jurminla, Procurement Specialist, Ning Wu, Financial Management Consultant</td>
</tr>
<tr>
<td>Completed Site Visits by AllIB:</td>
<td>Last Physical site visits were conducted in August, 2019. Since the virtual missions are being carried out to engage with the client.</td>
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<tr>
<td>Planned Site Visits by AllIB:</td>
<td>Feb, 2021, E&amp;S site visit by AllIB consultant</td>
</tr>
</tbody>
</table>

2. Project Summary and Objectives

The project comprises 21 sub-projects in separate geographic locations in western Nepal, each consisting of the 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

<table>
<thead>
<tr>
<th>Approval:</th>
<th>Dec. 12, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signing:</td>
<td>May. 18, 2020</td>
</tr>
<tr>
<td>Effective:</td>
<td>Nov. 10, 2020</td>
</tr>
<tr>
<td>Structured (if any):</td>
<td></td>
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<tr>
<td>Orig. Closing:</td>
<td>Jun. 30, 2025</td>
</tr>
<tr>
<td>Rev. Closing (if any):</td>
<td></td>
</tr>
</tbody>
</table>

4. Disbursement Summary (USD million)

- a) Committed: 112.3
- b) Cancellation (if any): 
- c) Disbursed: 0
- d) Most recent disbursement: (amount / date): 0
- e) Undisbursed: 112.3
- f) Disbursement Ratio(%): 0

\[ f = \frac{c}{a-b} \]

5. Project Implementation Update

Technical designs are being finalized and E&S site visits are in progress. Bid documents are expected to be prepared once these to activities are completed
An environmental and social management framework (ESMF) has been developed to cover the entire Electrification Program in Western Nepal, including the Project. The ESMF (i) provides an overview of the Project and its components; (ii) explains the generally anticipated environment and social risks and impacts, mitigation measures and monitoring activities for each subproject under the Project (i.e., alignment of proposed distribution lines to each substation); (iii) specifies the requirements that will be followed in relation to E&S screening, categorization, and assessment, including monitoring, meaningful consultation with subproject-affected people and relevant stakeholders, and information disclosure requirements; and (iv) specifies the E&S criteria that determine the required E&S instruments to be prepared for each subproject.

Financial Management:

FM reports are not due yet and the reviews will be conducted during virtual missions.

The financial management system of NEA is applicable to the Project. A project annual budget will be prepared in May every year together with the annual budget of NEA, based on the procurement plan and activity schedule. The approved project annual budget will be submitted to the Bank as one of tools to monitor the progress of the Project. The contracts under the Project will be signed by the project manager. The Nepal Accounting Standards will apply, including the accrual method, to project financial statements. NEA’s Internal Audit Department will audit the Project semi-annually and submit the audit reports to the audit committee of NEA. The Office of the Auditor General, Nepal, will audit the project account, in accordance with the Nepal Auditing Standards. The audited project financial statements are not due yet and the reviews will be conducted during virtual missions.


GRM will be set up as per AIIB’s E&S policies. Status will be monitored closely and updated in the PIMR.

NEA will establish a project-level grievance redress mechanism (GRM) in accordance with the requirements of AIIB’s ESP for the Project. The GRM will include 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) PIU field officers will receive and respond to grievances from project-affected people, and seek to resolve minor grievances; (ii) if the grievance cannot be resolved at the field level, it will be referred to a PIU grievance committee; and (iii) if the matter cannot be resolved at the PIU grievance committee level, the matter will be referred to a multistakeholder grievance redress committee.

7. Results Monitoring

It is too early to provide any actual results. The objective of the project is to increase access to and improve quality and efficiency of electricity supply in selected areas of western Nepal.

Baseline Year: Dec. 31, 2019  End Target Year: Dec. 31, 2030
## Project Objective Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
<th>Others, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>New households connected to electricity; people provided with new electricity service (including female beneficiaries) (Number)</td>
<td>Dec. 31, 2024</td>
<td>32,852; 144,549 (73,720)</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>New commercial &amp; industrial connections provided (Number)</td>
<td>Dec. 31, 2024</td>
<td>2,137</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Existing households with improved service quality; people provided with improved service quality (including female beneficiaries) (Number)</td>
<td>Dec. 31, 2024</td>
<td>44,000; 193,600 (98,736)</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Energy saved from loss reduction (GWh/annum)</td>
<td>Dec. 31, 2024</td>
<td>15.3</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Additional capacity provided to the distribution system (MVA)</td>
<td>Dec. 31, 2024</td>
<td>150</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

## Intermediate Result Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
<th>Others, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>33/11kV substations constructed (Number)</td>
<td>Dec. 31, 2024</td>
<td>21</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>33kV lines constructed (Km)</td>
<td>Dec. 31, 2024</td>
<td>468</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>11kV lines constructed (Km)</td>
<td>Dec. 31, 2024</td>
<td>1945</td>
<td>N/A</td>
<td></td>
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<tr>
<td>Distribution transformers installed (Number)</td>
<td>Dec. 31, 2024</td>
<td>3779</td>
<td>N/A</td>
<td></td>
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<tr>
<td>Service connections made (Number)</td>
<td>Dec. 31, 2024</td>
<td>34800</td>
<td>N/A</td>
<td></td>
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<tr>
<td>Existing 11 kV lines supplied from new networks</td>
<td>Dec. 31, 2024</td>
<td>2</td>
<td>N/A</td>
<td></td>
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</tbody>
</table>

Remarks: