



**The World Bank**

Nepal-India Electricity Transmission and Trade Project (P115767)

REPORT NO.: RES35146

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RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
NEPAL-INDIA ELECTRICITY TRANSMISSION AND TRADE PROJECT  
APPROVED ON JUNE 21, 2011  
TO  
NEPAL

ENERGY & EXTRACTIVES

SOUTH ASIA

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**I. BASIC DATA****Product Information**

Project ID P115767	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 21-Jun-2011	Current Closing Date 31-Dec-2018

**Organizations**

Borrower Nepal	Responsible Agency Nepal Electricity Authority
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**Project Development Objective (PDO)**

Original PDO

The development objectives are to: (a) establish cross-border transmission capacity between India and Nepal of about 1000 MW to facilitate electricity trade between the two countries; and, (b) increase the supply of electricity in Nepal by the sustainable import of at least 100 MW.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-52630	24-Jun-2013	11-Sep-2013	31-Dec-2013	31-Dec-2018	37.00	23.34	11.66
IDA-H8580	24-Jun-2013	11-Sep-2013	31-Dec-2013	31-Dec-2018	2.00	.54	1.48
IDA-49020	21-Jun-2011	15-Jul-2011	29-Sep-2011	31-Dec-2018	84.00	47.23	29.05
IDA-H6600	21-Jun-2011	15-Jul-2011	29-Sep-2011	31-Dec-2018	15.00	5.29	8.37



## Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

## II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

### A. Project Status

The Project has made significant progress in the implementation of physical activities and safeguard activities over the last six months.

The component-wise implementation progress of the Project is presented below:

(i) Components A1 and A2: Dhalkebar-Muzaffarpur Transmission Line: The transmission line is designed at 400 kV but is currently operating at 220 kV with transfer capacity of about 1100 MW. However, due to installation of 2x163 MVA stepdown transformer at Dhalkebar, the current transfer capacity is only about 293 MW (at power factor of 0.9).

(ii) Component B1: Hetauda-Dhalkebar-Inaruwa (HDI) transmission line and substations: There are three substations and one 400 kV transmission line under this component. The Dhalkebar substation with 2x163 MVA transformers has been completed and operational. NEA is importing about 290MW (1182 GWh) from this substation. The contract for Hetauda and Inaruwa substations (220/132 kV) is awarded to Siemens India and the contract is signed. The contractor is expected to be mobilized by end of December 2018. This contract is expected to be completed by December 31, 2019. The construction of the 400-kV transmission line is under progress with more work-sites available after tree felling initiated in two districts. The piling-foundation works in Koshi river, which is one of the most critical activity that can affect the completion schedule of the Project was initiated on November 25, 2018. The HDI line is expected to be completed by April 2020.

(iii) Component B3: Transmission Lines and Integrated Financial Management Information System of NEA:

a. Hetauda-Bharatpur (HB) 220 kV transmission line and associated substations: The physical progress has improved with the mobilization of 5-6 groups for construction of foundation and erection of towers. Considering the poor implementation of the transmission line, the Bank team suggested close supervision to monitor the contractor's performance. Similarly, construction work of the two substations (220/132 kV) at Hetauda and Bharatpur implemented under a separate contract is 90% complete. These substations are expected to be commissioned by March 2019, and the HB transmission line is expected to be completed by November 2019.

b. Bharatpur-Bardaghat (BB) 220 kV transmission line: The construction activities were halted for over two years by the contractor. As a result, the project management unit (PMU) had to terminate the contract. The new contractor is on-board since August 2018 and have started the site activities. The BB line is expected to be completed by December 2019.

c. Enterprise Resources Planning (ERP): This activity is delayed, the bidding documents for procuring ERP system have been prepared and discussions are on-going to take up this activity under the Grid Solar and Energy Efficiency Project (P146344) as it would not be possible to complete this activity within the proposed time extension.

(iv) Component C: Technical Advisory Services: All the activities proposed under this component are now complete.



**B. DESCRIPTION OF PROPOSED CHANGES**

(i) Extend the closing date: The Loan closing date will be extended to April 30, 2020.

**C. RATIONALE FOR CHANGES**

1. The Project is of strategic importance to Nepal and to the regional energy integration. With the completion of the Dhalkebar substation in August 2018 supported under the Project, Nepal can import additional 290 MW from India through the cross-border transmission line from Dhalkebar (Nepal) to Muzzafarpur (India), effectively ending the load shedding that had haunted Nepal for nearly a decade. The Project will enable imports of electricity to Nepal during the dry season and exports of surplus electricity to India and Bangladesh in the wet season, as Nepal is scaling up its hydropower development.
2. The proposed extension would allow the Project to complete the implementation of the remaining works and environmental and social safeguards activities, achieving its development objectives. Over the last six months, the Project’s implementing agency Nepal Electricity Authority (NEA) has demonstrated strong leadership and commitment at the managing director and deputy managing director level, strengthened the human and institutional capacity of the project management team, and been decisive in taking corrective measures against non-performing contractors.
3. The proposed restructuring will not change the Project Development Objectives, Project Components Costs, Institutional Arrangements, and Risk Analysis. Nevertheless, the proposed extension would provide an opportunity to strengthen the client capacity in several areas.

**III. DETAILED CHANGES**

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-49020	Effective	31-Dec-2016	03-Jun-2018, 30-Jun-2018, 31-Dec-2018	30-Apr-2020	30-Aug-2020
IDA-52630	Effective	31-Dec-2016	30-Jun-2018, 31-Dec-2018	30-Apr-2020	30-Aug-2020
IDA-H6600	Effective	31-Dec-2016	30-Jun-2018, 31-Dec-2018	30-Apr-2020	30-Aug-2020
IDA-H8580	Effective	31-Dec-2016	30-Jun-2018, 31-Dec-2018	30-Apr-2020	30-Aug-2020