

Source: My Republica, June 1, 2019

Development cooperation policy sets priority for assistance from partners

KATHMANDU, June 1: The government has approved the new development cooperation policy, outlining the areas of national needs and priorities for the mobilization of international support for development.

According to the 'Foreign Cooperation Policy, 2019' which was approved by the cabinet on May 24, the government has identified eight key areas where it will give priority for mobilizing international support.

They include infrastructure development, education, health, drinking water and sanitation, national production and productivity growth, employment creation and poverty alleviation, science and technology development and transfer, environment protection and climate change, disaster risk reduction management, and other areas prescribed by the government where public, private, cooperatives and community lack the capacity.

This development cooperation policy will replace the previous policy of 2014.

The international support coming through the budgetary system will be the first priority of the government while the area-based support on national priority and needs will get the second priority. Program-based international assistance will be in the third priority of international cooperation. Support to other projects included in the national plan will be the fourth in the list of the priority for international cooperation.

The grants that development partners provide will be utilized in areas like environment protection, climate changes, sustainable development, and other social issues that can contribute in the human development and poverty alleviation.

Similarly, the government, in its policy, has said that soft loans from development partners will be utilized for infrastructure development (hydropower, energy, irrigation, railway, airport and urban development), agriculture and tourism infrastructure, among other areas which help in economic growth, create employment opportunities and earn foreign currency by boosting export.

However, the government will not accept soft loan for a single project less than of \$10 million. The government has also vowed to reduce the conditions on the procurement as much as possible while preparing the project document.

For other loans including from the export-import banks and other project-based financings, the government will utilize such support on hydroelectricity generation and transmission, highways and bridges, railways, airports, dry port, urban development and other areas of national priorities. Similarly, the policy also identifies the areas where the technical support of development partners will be accepted. The government may seek technical support in project preparation where the technical expertise is needed for pre-feasibility and detailed project report, according to the policy.

However, technical support will not be accepted as a loan while any agency seeking technical support from development partner should get the approval from the Ministry of Finance.

Meanwhile, the policy has also capped the spending in consultancy services to five percent of the total cost of any infrastructure project.

However, the arrangement related to the consultancy in any project must be specified in the project agreement, according to the policy. International consultants can be hired only if there is unavailability of Nepali citizens or organizations that have such expertise.

Source: The Kathmandu Post, June 4, 2019

95.5 percent of Nepalis have an electricity connection, report says

- PRAHLAD RIJAL, Kathmandu

Electricity had reached 95.5 percent of Nepal's population as of 2017, according to the Energy Progress Report. Only 1.3 million out of 29 million Nepalis remain to be connected to an electricity supply. In 2010, only 65 percent of the population had an electricity connection.

Officials said Nepal was expected to achieve 100 percent access to electricity within a few years, well ahead of the target year of 2030 set by Sustainable Development Goal 7.

Nepal's access to electricity increased at an annual rate of 4.3 percent, which is much higher than the global average of 0.8 percent, as per the Energy Progress Report, released last week by the five Sustainable Development Goal stakeholder agencies—International Energy Agency, International Renewable Energy Agency, United Nations Statistics Division, World Bank and World Health Organisation.

The report said that the global electrification rate rose to 89 percent in 2017 from 83 percent in 2010, falling short of the target rate required to reach universal access by 2030.

Over the review period, 99 percent of Nepal's urban population enjoyed access to electricity and 95 percent of rural people are currently connected with a mix of grid and off-grid systems. Universal access to clean cooking solutions will help to prevent some 3.8 million premature deaths each year, primarily among women and children, from exposure to household air pollution, the report said.

“Clean cooking solutions reduce deforestation and lower climate-changing emissions. For these and other co-benefits to be realised, however, clean cooking must be integrated into national policy, by scaling up solutions, increasing public and private

investment in clean cooking, and enhancing multi-sector collaboration,” the report states.

Nepal ranked top among the set of access-deficit countries—Afghanistan, Bangladesh, Fiji, Mongolia among others—which provide their populations with access to electricity from off-grid sources. Around 11 percent of Nepal’s population is reliant on mini-biogas, mini-hydropower plants, and solar mini-grids for energy consumption.

Nepal ranked third among the top 20 countries with the highest share of solar lighting progress with 15 percent of the population obtaining power through solar grids. According to officials, Nepal’s rural electrification schemes and increasing use of small solar panels for lighting in remote areas has contributed to the increased access to electricity.

“The campaign to rid rural households of firewood and provide clean energy through mainly solar and small scale hydel plants by 2022 has been effectively meeting its annual targets,” said Ram Prasad Dhital, former executive director of the Alternative Energy Promotion Centre.

“Also, the Nepal Electricity Authority has been consistently achieving the target of increasing access by expanding the grid to remote places through rural electrification schemes.” According to Dhital, increased installation of 10-watt solar panels for household lighting has also contributed to the growth of the electrification rate.

Recently, Energy Minister Barsha Man Pun reiterated the government’s plan to provide access to energy to 100 percent of the population in the next five years.

“In five years, we intend to provide access to 100 percent of the population through a mix of grid and off-grid systems,” the minister told the World Hydropower Congress in Paris recently. “In the meantime, we are implementing several transmission and distribution system reinforcement projects to provide reliable electricity services to the people.”

As per the Nepal Electricity Authority’s statistics, only eight districts—Bajura, Humla, Jumla, Kalikot, Mugu, Dolpa, Rukum (East) and Solukhumbu—remain to be

connected to the national grid. Among them, authorities plan to connect Bajura, Rukum (East) and Solukhumbu to the national grid by the end of this fiscal year. Currently, these districts get their power from small and isolated hydel plants. The Energy Progress Report states that between 2018 and 2030, the annual average investment will need to reach approximately \$55 billion to expand energy access, about \$700 billion to increase renewable energy, and \$600 billion to improve energy efficiency.

Access to Electricity in South Asia (% of population)

Country	Access to Electricity	Urban	Rural
Afghanistan	98	100	97
Bhutan	98	99	97
Bangladesh	88	100	81
India	93	99	89
Maldives	100	100	100
Nepal	96	99	95
Pakistan	71	100	54
Sri Lanka	98	100	97

Source: Energy Progress Report

Source: The Rising Nepal, June 3, 2019

Construction of Madyamodi hydel project resumes

Parbat, Construction of the 14 megawatts Madyamodi Hydropower Project at Modi rural municipality in the district that halted for past one week due to a protest by the affected local people has resumed following an agreement with the protestors.

The project management has agreed to address the demands of the affected locals following a joint consultation in this regard among the project side, the affected locals, the District Coordination Committee and Chief District Officer Gurudatta Dhakal.

The construction resumed two days ago.

The locals had demanded compensation for the damage caused from the project.

The project management agreed to provide compensation for the damage at the earliest action on a report provided by the geologist and technical team, said CDO Dhakal.

An agitation was waged after the project delayed in providing the affected ones compensation.

Locals agreed for the resumption of the project work after an on-site visit to the houses of victims took place.

The owner of six houses whose houses also were damaged were told to receive compensation long ago.

There are as many as 28 households who stay in the areas above the tunnel.

According to District Coordination Committee, Parbat Chief Manoharbi Poudel shared that the concerned authorities and stakeholders were prodded repeatedly about the agreement reached between the locals and Project officials to not to disrupt the Project's works, the District Coordination Committee to oversee the reconstruction of affected one's houses among others.(RSS)

Source: My Republica, June 4, 2019

IBN gives nod for study on 550 MW solar energy project

KATHMANDU, June 4: The Investment Board of Nepal has given nod for a feasibility study to set up solar energy projects in all seven provinces of the country with combined capacity of 550 MW.

According to a decision of the board meeting of the IBN held on Monday, the feasibility study of the project worth Rs 48.24 billion will be carried out by the Philippines-based Greenergy Solutions Inc.

Maha Prasad Adhikari, CEO of the IBN, told Republica that the board decided to give go ahead for the feasibility study based on the proposal of the Filipino firm.

“In its preliminary proposal, the company has stated that solar energy projects with capacity ranging from 50 to 100 megawatts can be developed in all provinces. We have granted them permission for the study based on their proposal,” said Adhikari. “However, the exact locations for the project have not been fixed. More details will emerge after we get feasibility study report from the company.”

The solar energy project was the project proposed by Greenergy Solutions Inc during the Nepal Investment Summit held in Kathmandu in March.

Along with this investment project, the IBN has also granted permission for feasibility study of two other projects. Flash Freight Logistics has also got the go-ahead from the IBN to conduct feasibility study for building private freight terminal and bulk handling facilities in Birgunj and Bhairahawa. The project is estimated to cost Rs 6.51 billion.

Similarly, Silk Road International Holding Co Ltd has also been permitted to conduct a study for building and operating World Buddhist Exhibition Park in Lumbini. While the IBN has not disclosed the value of this project, the firm has stated that there will be no financial liability to the government.

“These were unsolicited investment proposals that we received during the investment summit. They have submitted their proposals on time and we have made decisions accordingly,” said Adhikari. “We will gradually grant permission for other projects once they come up with proposals.”

The IBN has received a total of 47 proposals for 30 projects in the investment summit.

Source: The Himalayan Times, June 4, 2019

32 MW electricity could go to waste: AEPC

UMESH POUDEL

The government had launched a campaign to provide electricity to all households across the nation by connecting them to the national grid within five years through the budget of the current fiscal year. However, the Alternative Energy Promotion Centre (AEPC), under the Ministry of Energy, Water Resources and Irrigation (MoEWRI), has said that the campaign is likely to affect the mini hydropower projects that have been built in various locations.

The AEPC has stated that 32 megawatts of energy could go to waste if the government does not come up with a proper policy to connect the electricity generated by these mini projects to the national grid.

As per AEPC, a total of 1,811 mini hydro projects have already been constructed and have been generating 32.32 MW power. These projects have been providing energy to 328,368 households across the nation.

Moreover, there are 392 such projects under construction or in the planning phase with total installed capacity of 24 megawatts.

The MoEWRI has authorised AEPC to provide technical support to projects with capacity of up to 10 MW.

Meanwhile, the centre has also been delegated the responsibility to provide subsidy to projects, including solar photovoltaic, solar thermal, biomass energy, wind energy, bio-fuel, biogas, mini/micro hydro projects of up to one megawatt.

Madhusudan Adhikari, executive director of AEPC, said that due to lack of proper guidelines, it has become difficult to address issues related to micro/mini hydropower projects.

“The government needs to formulate a new policy to manage micro/mini hydropower and other AEPC-backed projects,” he said, adding failure to do so on time could result in a huge amount of money that locals have invested in such projects to go to waste.

Adhikari further mentioned that the projects that have been backed by AEPC have been built as per 80:20 per cent investment ratio, whereby the centre invests 80 per cent of the total investment and the locals provide the remaining investment. “There are only a few projects that have been fully funded by AEPC.”

Dinesh Kumar Ghimire, secretary at MoEWRI, said the issue will soon be settled through the Electricity Act.

He informed that the government is doing homework to find a proper solution to the problem.

As per an official of Nepal Electricity Authority, before the mini/micro projects are connected to the national grid, they need to sign a power purchase agreement (PPA) with the power utility and the per unit rate of the electricity needs to be fixed by the government, which is a lengthy process.

“The issue can be settled only by the Electricity Regulatory Commission,” he added.

“But the government has not yet formulated any proper guideline to settle the issue and only after it gives a go-ahead can we connect the electricity to the national grid.”

This basically means that the energy generated by mini/micro projects will go to waste if not connected to national grid on time, as households will receive their power needs from national grid instead of such projects.

Meanwhile, NEA has accelerated the expansion work of transmission lines across the country under its ambitious programme to provide access to electricity to every household by the next four years.

As per the government, nearly 90 per cent of the population has access to electricity in Nepal.

Source: My Republica, June 5, 2019

Work on Madhya Modi Hydropower Project resumes

Chhabi Lal Tiwari

PARBAT, June 5: Construction work on Madhya Modi Hydropower Project has resumed following an agreement between the project and locals of the affected area who had disrupted works on May 26.

The two parties came to an agreement after Chaudhary Group, which is developing the 15.1 MW project, agreed to rebuild houses damaged by the project and give due compensation to owners of the house.

After tunnel construction works created cracks in wall of houses in Makha, Thana, Kalleni and Okhle of Wards 1 and 2 of Modi Rural Municipality, the locals had disrupted all works of the project.

It has been agreed that compensation amount would be fixed with reference to reports prepared by geology experts and technical team. However, some locals have been demanding for larger sum, stating that compensation amount projected by the teams will be sufficient. Six families have already received compensation. Altogether 28 households are affected.

Manohar Poudel, chief of District Coordination Committee, Parbat, said that his office had to follow up after both the sides failed to live up to their commitments. While locals had agreed not to disrupt project works, the project had expressed commitment to implement CSR works on priority basis, Poudel added.

It was also decided that DCC Parbat would monitor reconstruction of houses.

According to the project, the dam will be at Birethanti which is located on boundary of Parbat and Kaski districts.

This is not the first time that construction work has been stalled. The project, which was estimated to start generation from November, 2017, will take at least one more year to complete. It has suffered from obstacles like boulder and limestone in tunnel and protest of employees. The project suffered further delay after one of the investors walked out of the project.

Industrialist Binod Chaudhary had laid foundation stone for the project on November 23, 2014. The project is estimated to cost Rs 2.8 billion.

Source: The Himalayan Times, June 6, 2019

Upper Tamakoshi looks for funds as completion deadline looms

- PRAHLAD RIJAL

Officials of the Upper Tamakoshi Hydropower Project are scrambling to arrange funding to fill an investment gap of Rs7 billion to ensure that construction work on Nepal's largest hydroelectric project in Dolakha does not stop.

The government has decided to allocate Rs1.85 billion for the 456 MW national pride project in the next fiscal year's budget, but officials say that is not enough.

"We have secured funds amounting to around Rs3 billion from the government and the Employees Provident Fund and are talking with other potential lenders to bridge the funding gap," said Ganesh Neupane, spokesperson for the project.

"Hopefully, we will arrange the financial resources by the end of July."

The Upper Tamakoshi project which entered construction phase in 2012 has encountered massive cost overruns. The project's price tag has swelled to Rs49 billion, excluding interest on loans, from the initial cost estimate of Rs35 billion.

Interest payments on long-term loans alone have jumped from Rs6.7 billion in 2016 to Rs14.42 billion in two

years. The annual interest rate has been set at 11 percent. As of date, the total project cost including interest on loans has been estimated at Rs69 billion.

During the review period, the cost per megawatt also increased by nearly 45 percent from Rs107 million per MW to Rs153 million.

Officials said that the project had not become as expensive as other hydropower projects despite the overruns.

"Given the installed output of 456 MW and the average cost per megawatt of other privately funded projects, Upper Tamakoshi cannot be termed an expensive development project," said Neupane.

Costs are expected to rise further as a recent equipment failure has pushed back the project completion deadline for the fifth time. Also, a depreciation of the Nepali rupee against the dollar and the euro is expected to push up the bill.

"Although the project is being built with equity and debt in Nepali currency, the agreement with the contractors for all four major components requires the company to release payment in dollars and euros by absorbing currency fluctuation risks," said the project office.

“The project faced an additional financial burden while obtaining dollars and euros from the central bank as these currencies have appreciated by nearly 25 percent over the review period.”

The total project cost amounts to around Rs70 billion as of date. The project reported a foreign exchange loss of Rs46.2 million in 2018 from a gain of Rs20.1 million in 2017.

Apart from exchange rate fluctuations, natural disasters, logistical challenges, design changes, high interest charges and poor work execution led to massive cost overruns, officials said.

The national pride project is touted as a role model project as it is being built with domestic resources and a high level of participation from all stakeholders.

Four public entities—Nepal Telecom, Citizen Investment Trust, Rastriya Beema Sansthan and Employees Provident Fund—are major lenders to the project. Project officials hope to fill the deficit by injecting additional loans from these public entities.

Further delays expected

The project is unlikely to meet the target of switching on the first turbine and feeding 76 MW into the national grid by December-end as construction crews are still grappling to repair the damage caused by a crane failure during the installation of the penstock pipes in May.

According to officials, the project will be delayed by two-three months as workers are still overhauling the

technical equipment in the lower vertical shafts through which water will run to the turbines.

“We have rectified the error in the crane setup and are dealing with other technical issues,” said Neupane.

“The installation of the penstock pipes is a tough task as each section has a diameter of 5 metres and weighs 27 tonnes. It takes around three hours just to lower one pipe down the 400-metre shaft.”

According to project chief Bigyan Raj Shrestha, the project is in the recovery phase and it will be delayed by two-three months because of the recent crane failure.

Source: The Kathmandu Post, June 7, 2019

Power line project floundering eight years into construction

- PRAHLAD RIJAL,

Eight years after construction work began on the Hetauda-Dhalkebar-Duhabi transmission line, officials are still struggling to resolve issues pertaining to forest clearance, easement rights and poor work execution by the contractors.

The project, the second component of a multimillion dollar Nepal-India Electricity Transmission and Trade Project, is stuck at 70 percent physical progress, much to the chagrin of World Bank officials. The power line scheme is being built with a \$99 million concessional loan from the World Bank and government funding.

“We are yet to receive forest clearance permits in Saptari, Rautahat and Bara; and there are conflicts with locals in five places over easement rights for the installation of around 40 electricity pylons,” said project chief Radhe Sharan Mahat. “The project has also faced setbacks following the dismissal of several contractors for poor performance, and the new contractors are now pointing to technical issues.”

According to Mahat, the project will not meet the completion deadline of April 2020 set by the donor agency unless the issues are resolved immediately.

A total of 131,229 trees need to be chopped down to clear a path for the transmission line in 11 districts in the southern plains, and the project is waiting for cabinet approval to cut down 66,371 trees in Rautahat, Bara and Makwanpur districts.

The Nepal Electricity Authority, the project executing agency, has initiated the process to obtain cabinet approval to cut down 27,201 trees in Rautahat and 11,344 trees in Bara.

Out of the 792 towers that need to be erected for the 288-km transmission line extending from Hetauda to Inaruwa, 319 are located in community forest areas and 473 are located on private land.

“The project has encountered community resistance in Makwanpur district where locals have demanded a realignment of the power line, and a team is studying the possibility of changing the placement,” the project office said. “Moreover, easement right issues remain to be addressed in Sunsari and Siraha districts.”

The transmission and trade project, to which the government has also accorded priority in the next fiscal year’s budget, has five components including a 288-km 400 kV Hetauda-Dhalkebar-Inaruwa transmission line, 220 kV substations in Dhalkebar, Hetauda and Inaruwa and a 140-km 220 kV Hetauda-Bharatpur-Bardaghat transmission line.

During a recent visit to the project site, Nepal Electricity Authority Managing Director Kulman Ghising directed the project office to hire more workers and expedite work, and said that the power utility was committed to resolving forest clearance and easement right issues.

But Ghising’s assurance does not seem to have impressed the chief financier. “The World Bank country director said that the donor would not extend the project beyond April 2020 as it had ‘hit the limitation’ in a recent meeting with Ghising and Province 3 Chief Minister Dormani Poudel,” an anonymous source said.

“The 400 kV transmission line requires a larger area of private land as the width of the right-of-way has been set at 46 meters--23 metres on either side. This has also complicated easement issues,” the official said. “And with poor work execution by the previous contractors on all segments of the project, it is unlikely to meet the deadline set by the donor.”

The World Bank has provided \$81.52 million dollars to the government in concessional loans in four installments since the project launched in 2011, records show. Initially, the project was expected to conclude in 2018, but delays caused by implementation problems and natural disasters led to the lender extending the project period till 2020.

The government has accorded priority to the project in the next fiscal year's budget, but poor work execution plagues the construction of substations and the 140-km transmission line.

The electricity utility recently terminated the construction contract for the Hetauda-Bharatpur portion with Indian contractor ICOMM Tele and confiscated its \$3.57 million deposit for non-performance. No new bids have been invited after the Indian contractor was sent away.

In June 2017, the state-owned power utility terminated the contract with Chinese contractor Central China Power Grid International Economic & Trade Co for poor performance on the Bharatpur-Bardaghat portion of the 220 kV power line and three 220 kV substations in Hetauda, Dhalkebar and Inaruwa.

Out of the three substations, the Dhalkebar substation is operational, and the electricity authority has been importing 250 MW from India through it.

After ending the contract with Central China Power Grid, the project entered into a new contract with a consortium of Siemens and Telmos Electronics in 2018 who are working to finish the construction of the substations at Hetauda and Inaruwa.

According to the World Bank, the objectives of the Nepal-India Electricity Transmission and Trade Project are to establish cross-border transmission capacity between India and Nepal of about 1,000 MW to facilitate electricity trade between the two countries and to increase the supply of electricity in Nepal by the sustainable import of at least 100 MW.

The transmission lines and sub-stations are being built to synchronise Nepal's power system with India to facilitate electricity trade.