

Source: My Republica; 4th May, 2014

Energy sector not in budget priority

Hydropower development is the government's top priority but budget allocations shows otherwise. Although the budget allocated for the hydropower sector appears larger than allocations for other sectors but additional budget received in foreign aid and loans mostly goes unspent.

This time around, the National Planning Commission (NPC) that fixes budget ceiling has brought down the ceiling by 30 percent despite the fact that the sector has been listed as a 'priority sector'.

A highly-placed official at the Ministry of Energy (MoE) claimed that hydropower sector ranks eighth in terms of budget allocation.

For the upcoming fiscal year, NPC has suggested to the government to collect over Rs 17 billion of the total Rs 32 billion through loans and grants allocated for the sector. It is believed that hydropower development would contribute to improve the country's ailing economic health.

An NPC official has criticized the MoE for failing to spend the budget allocated for community electrification to the ministry.



Another source at MoE said the Nepal Electricity Authority (NEA) has sought about Rs 30 billion for the upcoming fiscal year even as the NPC has set a ceiling of Rs 27 billion.

Surendra Rajbhandari, director at Corporate Planning and Monitoring Division of NEA, complained that government allocates over two-thirds of the budget through foreign loans and grants which goes unspent as they are allocated for the projects that fail to make progress.

Rajbhandari further pointed out that while projects that are under study get more budget than required, those under construction do not get adequate budget.

"In several cases, the budget goes unspent. According to the new budget plan, the government will allocate only Rs 10 billion for the construction of transmission lines though much of the budget for this comes through foreign loans and grants.

"Without tangible progress on projects, foreign loans and grants become useless," said an engineer at NEA.

Source: The Kathmandu Post; 5th May, 2014

FinMin proposes regional power transmission lines

Finance Minister Ram Sharan Mahat has proposed constructing regional electricity transmission lines to the finance ministers of the South Asian Association for Regional Cooperation (Saarc).

Mahat stressed on the need for increased expansion of transmission lines in the region during an informal meeting with the Saarc ministers on the sidelines of the 47th annual meeting of the Asian Development Bank (ADB) held in Astana, Kazakhstan. Saarc finance ministers have been getting together on the sidelines of the ADB annual meeting since 2006. Nepal, with its large hydropower potential, expects to export power to other South Asian countries, particularly India, in the future.

The Finance Ministry said in a press release that Mahat said that efforts should be made to increase investment in infrastructure as the entire region faces an infrastructure deficit. He added that investments in infrastructure should be made through the Saarc Development Fund in addition to social sector development.

Highlighting the achievements in the peace process which has largely concluded, Mahat said that Nepal was now focusing on boosting domestic and foreign investment. "Economic reform measures have also been initiated," he said.

Meanwhile, addressing the annual meeting of the ADB, Mahat appealed for big scale investment from the ADB in areas of infrastructure such as energy, irrigation and roads. Considering the energy crisis plaguing Nepal, he also urged the ADB to help the country in this sector in a big way.

Mahat said that the government would sign power development agreements with hydropower projects being funded by foreign investors. He promised that Nepal would be an attractive destination for foreign investors and donors after a year when the constitution making process will be completed.

Source: The Kathmandu Post; 7th May, 2014

\$440 million project planned at Marsyangdi, Kali Gandaki corridor

Prithvi Man Shrestha

Lack of transmission lines has been a major deterrent to potential local and foreign investors in the hydropower sector, prompting donors to help Nepal set up power lines by providing a massive cash infusion.

The Asian Development Bank (ADB), European Investment Bank (EIB), Norway and Strategic Climate Fund are prepared to invest in a \$ 440-million project under which new transmission lines will be erected in the Marsyangdi and Kali Gandaki corridors as well as the Marsyangdi- [Kathmandu](#) section will also be constructed. The government has accorded priority to the construction of transmission lines in the Kali Gandaki corridor (220/400 kV double circuit) and Marsyangdi corridor (220kV double circuit) and has requested the ADB for financial support. There is also a component of renewable energy.

The construction of new transmission lines will take place under the ADB's South Asia Sub-Regional Economic Cooperation (SASEC) Power System Expansion Project. The bank will administer the resources to be provided by other donors too.

The ADB has confirmed that it plans to invest \$ 180 million in the project subject to approval by its board. According to officials at the Ministry of Energy, the government will invest around \$ 60 million and donors will put up the rest of the required capital.

Loan negotiations between the government and donors are yet to take place. Joint secretary at the Energy Ministry Keshav Dhovj Adhikari said that talks were scheduled to start on May 18. Currently, a fact-finding mission of the donors is studying the proposed transmission line projects. Meanwhile, the ADB said that the project had not been approved yet. "The proposed project is still under consideration for approval by the development partners."

The ADB and the EIB are joining hands in the mega power sector project after first pledging to invest in the 140 MW Tanahun Hydropower Project with other donors. A senior official of the Energy Ministry said that it was one of the biggest investments by donors in transmission lines at a time when the country's focus has been on infrastructure. The ADB said that the project had been initiated considering the fact that an inadequate power evacuation network was a bottleneck to meeting domestic power demand and engaging in power trade with neighbouring countries. "Given the government's failure to invest in transmission lines, the donors came forward with a helping hand," said a Finance Ministry official.

The government has focused on constructing these transmission lines as the Central Region is the major consumer of power. It has also planned to build a second cross-border transmission line from Bardghat in central Nepal to Gorakhpur in India to export electricity from hydropower projects in the Kali Gandaki and other basins.

"The proposed project will support the construction and operation of national high-voltage transmission lines for domestic demand and also enhance cross-border power trading capacity," said the ADB. Presenting its reasons for choosing the project, the ADB said that large-scale hydropower developments were currently underway in the Kali Gandaki and Marsyangdi basins, targeting both domestic demand and export to India. The two hydropower projects of 92 MW and 119 MW capacities respectively being built here by independent power producers are scheduled to be commissioned by 2018, according to the power purchasing agreements signed between them and the Nepal Electricity Authority.

The ADB said that the project would contribute to Nepal's energy development objectives by facilitating near-term expansion of domestic power transmission capacity, medium- and long-term cross border power exchange, augmentation and expansion of the distribution networks, and mini-grid based renewable energy access in rural areas.