

Nepal and ADB Sign Agreements for Irrigation Modernization Enhancement Project, Green, Resilient, and Inclusive Development Program, Kathmandu Valley Water Supply Improvement Project (Phase 2), and South Asia Subregional Economic Cooperation Electricity Transmission and Distribution Strengthening Project

The Government of Nepal and the Asian Development Bank (ADB) today signed loan and grant agreements amounting to USD 777.6 million (equivalent to Rs. 105.59 billion) for the implementation of three project and a program.

The Financing agreement for the implementation of Kathmandu Valley Water Supply Improvement Project (Phase 2), South Asia Subregional Economic Cooperation (SASEC) Electricity Transmission and Distribution Strengthening Project and Green, Resilient, and Inclusive Development (GRID) Program were signed by Dr. Ram Prasad Ghimire, Finance Secretary, Ministry of Finance and Mr. Arnaud Cauchois, Country Director of the Nepal Resident Mission, ADB, on behalf of the Government of Nepal and ADB respectively.

The project cost of Kathmandu Valley Water Supply Improvement Project (Phase 2) will be USD 240 million (equivalent to Rs. 32.59 billion). ADB will support USD 15 million (equivalent to Rs. 2.03 billion) grant and USD 170 million (equivalent to Rs. 23.08 billion) concessional loan, Japan Fund for Prosperous and Resilient Asia and Pacific (JFPR) will support USD 3 million (equivalent to Rs. 407.46 million) grant and Government of Nepal contributes USD 52 million (equivalent to Rs. 7.06 billion) for it. The project aims to secure safe and reliable water supply services for people in the Kathmandu Valley. It includes the relocation and construction of the Melamchi intake, construction of long tunnel, and the expansion of the Sundarijal Water Treatment Plant. These interventions will improve the resilience and efficiency of the bulk water supply system. Additionally, the project will enhance urban water supply systems and strengthen institutional capacity, ensuring long-term water security and sustainability for Kathmandu.

The project cost of South Asia Subregional Economic Cooperation (SASEC) Electricity Transmission and Distribution Strengthening Project will be USD 537 million (equivalent to Rs. 72.93 billion). ADB will support USD 30 million (equivalent to Rs. 4.07 billion) grant and USD 311 million (equivalent to Rs. 42.24 billion) concessional loan, EU will support USD 22.6 million (equivalent to Rs. 3.06 billion) grant, Norway will support USD 31 million (equivalent to Rs. 4.21 billion) grant, Strategic Climate Fund will support USD 10 million (equivalent to Rs. 1.35 billion) and Government of Nepal contributes USD 132.4 million (equivalent to Rs. 17.98 billion) for the execution of it. The Project focuses on meeting Nepal's growing energy demands while supporting green electricity exports. The construction of 290 kilometers of transmission lines, five new substations, and the upgrading of two existing ones are key components of the project. These efforts aim to modernize the electricity distribution system, improve overall capacity and reliability, and enhance Nepal's power infrastructure and cross-border electricity trade.

The ADB will support USD 100 million (equivalent to Rs. 13.58 billion) for Green, Resilient, and Inclusive Development (GRID) Program as a budget support. The program aims to assist in implementing the Green, Resilient, and Inclusive Development approach by addressing policy, regulatory, and institutional barriers to unlock sustainable investment opportunities across various sectors. The program's objective is to ensure that development activities are environmentally sustainable, resilient, and inclusive. Budgetary support mobilizes as per the needs and priority of the Government of Nepal.

Furthermore, the loan agreement amounting to USD 85 million (equivalent to Rs. 11.54 billion) for the implementation of Irrigation Modernization Enhancement Project (IMEP) was signed by Mr. Dhani Ram Sharma, Joint Secretary and Chief of the International Economic Cooperation Coordination Division, Ministry of Finance and Mr. Arnaud Cauchois, Country Director of the Nepal Resident Mission, ADB, on behalf of the Government of Nepal and ADB respectively. IMEP focuses on modernizing surface water irrigation systems and piloting hill lift irrigation. It will directly benefit families of the project area enhancing agricultural productivity and climate resilience. The project also emphasizes capacity building for farmers and institutions to ensure sustainability, aiming to strengthen livelihoods and promote sustainable agricultural development.

Similarly, the project agreement for the Kathmandu Valley Water Supply Improvement Project (Phase 2) was signed by officials from Kathmandu Upatyaka Khanepani Limited, Kathmandu Valley Water Supply Management Board, and the Melamchi Water Supply Development Board and Mr. Arnaud Cauchois representing implementing agency and ADB.

Likewise, the project agreement for the SASEC Electricity Transmission and Distribution Strengthening Project was signed by officials from the Ministry of Energy, Water Resources, and Irrigation, as well as the Nepal Electricity Authority and Mr. Arnaud Cauchois representing implementing agency and ADB.

The project agreement for IMEP was signed by officials from the Ministry of Energy, Water Resources, and Irrigation, along with Province Secretaries from Bagmati Province, Gandaki Province, Koshi Province, Lumbini Province, and Madhesh Province, and Mr. Arnaud Cauchois representing implementing agency and ADB as well.

During the signing ceremony, Mr. Dhani Ram Sharma, Joint Secretary, Ministry of Finance, provided an overview of the three projects and a policy based program, highlighting their potential impact on Nepal's agricultural, irrigation, water and climate resilience sectors.

Mr. Arnaud Cauchois, Country Director of ADB, emphasized the key features of these projects, including their financing structures and significance for Nepal's economy. He highlighted that ADB's commitment reaches USD1.032 billion this year including USD 86 million ADF grant across multiple sectors including agriculture, natural resources, and rural development; energy; public sector management; and water and other urban infrastructure and services. He reiterated ADB's strong commitment to supporting Nepal's development priorities, particularly in climate adaptation, agricultural productivity, and water resource management and support to achieve SDG's.

Dr. Ram Prasad Ghimire, Finance Secretary, expressed his heartfelt appreciation to ADB for its consistent support and partnership. He emphasized that these initiatives would not only improve irrigation systems, water security, and agriculture but also strengthen climate resilience in Nepal's most affected communities and contribute to achieving sustainable development goals. Dr. Ghimire further urged the implementing agencies to execute the projects timely and efficiently to ensure the desired outcomes.

Ministry of Finance,
Singha Durbar, Kathmandu
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