

Signing of Japanese ODA Loan Agreement with Nepal –Contributing to the “Dividends of Peace” for the Nepalese People with the First Japanese ODA Loan in 12 Years–

On March 13, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of Nepal in Kathmandu for up to 15.137 billion yen for the Tanahu Hydropower Project.

The project will construct a reservoir type hydroelectric power plant (140 megawatts) capable of producing power even during the dry season in Tanahu District, located approximately 150 kilometers to the west of the capital of Kathmandu. The power plant will boost the current power production capacity by approximately 20 percent, growing the economy of Nepal and improving the living environment. The loan funds will be allocated to procurement and installation expenses for the hydroelectric and power generation equipment. The project is based on the expectation of co-financing from the Asian Development Bank (ADB), the European Investment Bank and the Abu Dhabi Fund for Development. Loan agreements are planned to be signed with those aid agencies before the end of Japanese fiscal year 2012.

The power plant that will be constructed is a reservoir type hydroelectric power plant with a sediment flushing system,^[1] with no precedent in Nepal. Improving the capacity of Tanahu Hydropower Limited (THL), the executing agency, will be key to the success of the project. Consulting services will be utilized to strengthen the organizational structure and implementation capacity of THL, and prevent delays in project implementation. After completion of the construction, consultants will assist with operation and maintenance of the power plant. To ensure a smooth project launch and prevent delays, JICA will provide assistance by dispatching experts for project implementation.

After the end of the 10-year-long civil war with the signing of the Comprehensive Peace Accord in 2006, the peace-building process has advanced. The monarchy has been abolished, and progress has been made in writing a new constitution. The economy has grown over the past 10 years at an average of approximately 4 percent and is expected to continue to grow. However, the annual per capita income of residents is a mere 540 dollars (2011), making it one of the poorest countries in the Asia with Afghanistan. The greatest factor behind Nepal's sluggish economy is inadequate infrastructure. According to the 2011-2012 Global Competitiveness Report produced by the World Economic Forum, Nepal ranks at number 141 of 142 countries in quality of overall infrastructure, including roads, and ranks lowest in quality of electricity supply. Blessed with an ample natural environment, Nepal has an abundance of water resources, which generate 90 percent of the country's power. However, most of the power plants generate power using rainfall, so their power generation capacity fluctuates greatly, and there is no choice but to implement rolling blackouts that last up to 16 hours during the dry season. It is estimated that if all of the domestic water resources were developed, Nepal would have power generation of 42,000 megawatts. Given factors such as the stoppage of new power plant construction during the civil war, the capacity for power production was merely 706 megawatts as of 2011. The power inadequacy hinders not only economic growth, but the lives of citizen. The project will contribute to improvement of these conditions.

In consideration of the domestic disorder due to the civil war beginning in the 1990s, no new Japanese ODA loans had been provided to Nepal since 2001. With the conclusion of the civil war in 2006 and the subsequent improvements to the political and economic situation, JICA concluded this loan agreement, the first in 12 years. In post-civil war Nepal, it is indispensable that support for economic growth be provided in response to the expectations of the Nepalese people who desire the "dividends of peace." JICA's policy is to provide assistance through strategically linking its three types of assistance—Japanese ODA loans, technical cooperation and grant aid—and provide ongoing cooperation for economic growth and social development in Nepal.



Masataka Nakahara, Director General, South Asia Department, JICA and Madhu Kumar Marasini, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance, Government of Nepal shook hands after signing.

Related Link

> [Location diagram for the four projects \(PDF/262KB\)](#)

Reference

1. Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment (years)	Grace period (years)	Procurement
		Project	Consulting services			
Tanahu Hydropower Project	15,137	0.01	0.01	40	10	General untied

2. Project Summaries

Executing Agency

Tanahu Hydropower Limited
 Address: Kathmandu Metropolitan City, Ward No. 31, Kathmandu District
 Phone: +977 (1) 661-5311, fax: +977 (1) 661-6887

Planned Implementation Schedule

- (1) Completion of project: October 2020 – when all of the facilities are put into service
- (2) Tender announcement of initial procurement package for international competitive bidding on project construction:

Procurement package title: Waterway, Powerhouse and Related Equipment

Release date: September 2013

Note: No consultants will be hired under the ODA loan. (Consultants will be hired by the ADB.)

Note

[1] A hydroelectric power plant that regularly discharges sediment accumulated at the bottom of the reservoir to maintain the reservoir capacity.

Map of the ODA Loan Project for Nepal “ Tanahu Hydropower Project ”

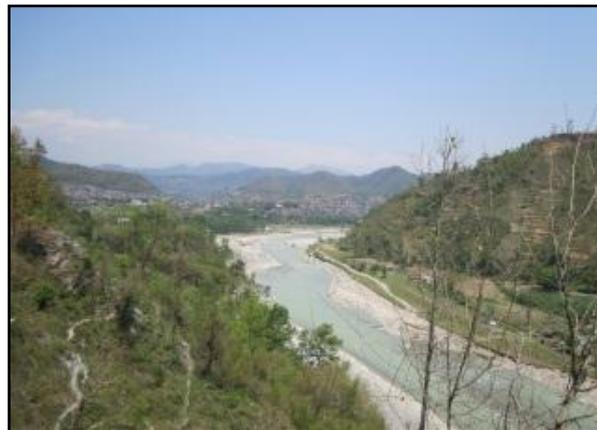
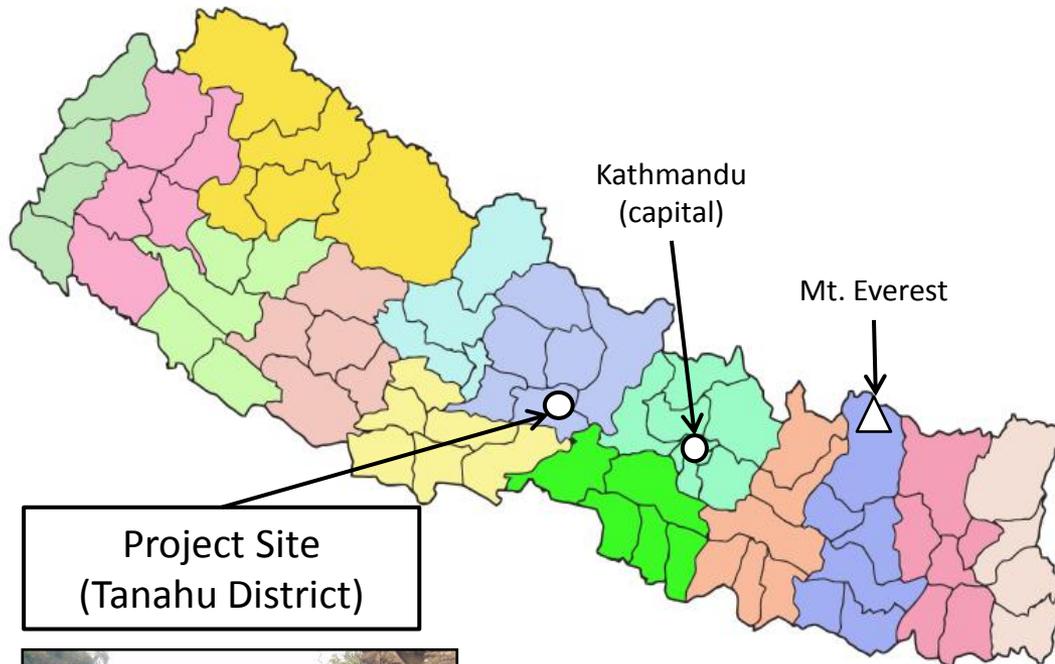


Photo (left): Project Site for Dam
(Upper Seti River)
Photo (right): Seti River