



PRESS RELEASE

Government of Nepal and World Bank sign \$100 million credit agreement to reform Nepal's energy sector and boost recovery from COVID-19 crisis

Kathmandu, June 24, 2020- The Government of Nepal and the World Bank Board signed a \$100 million Development Policy Credit (DPC) today to improve the financial viability and governance of the energy sector and recover from the COVID-19 crisis. The agreement was signed by the Finance Secretary, Mr. Sishir Kumar Dhungana on behalf of the Government of Nepal and the World Bank Country Manager for Nepal, Mr. Faris Hadad-Zervos.

The approved operation is the second in a series of three DPC operations to support key policy, regulatory and institutional reforms to unlock the economic potential of Nepal's energy sector. These include measures to improve the financial viability of the Nepal Electricity Authority (NEA) as the sole off-taker; establish a regulatory framework that is autonomous, transparent, and accountable; achieve greater integration with the regional electricity market to ensure the optimal use of Nepal's hydropower resource; and restructure NEA to empower provincial and local governments under the federal structure.

"We are thankful to the World Bank for the continued support to improve the quality of infrastructure and social-economic development in Nepal. The support made by the World Bank to enhance Nepal's energy capacity will improve access to electricity as aimed by our plan and budget and also enhance the capacity of Nepal Electricity Authority," stated **Sishir Kumar Dhungana, Secretary, Ministry of Finance**. "While Nepal has made important progress in the sector, addressing the immediate and long-term impacts of the pandemic is a key priority of the government to ensure the benefits are sustained over time."

In recent years, Nepal's energy sector made great strides with increased electricity generation, reduced system losses, and enhanced cross-border transmission capacity while putting an end to the nationwide load shedding. Electricity is now available to 88 percent of the population. An independent electricity regulator, central to the sector's reform agenda, has become operational. A newly proposed Electricity Bill will, among others, enable competition in electricity generation and establishing power trade as a licensed activity. With strong government commitment and effective management, NEA has reduced system losses, remained profitable for three consecutive years and has improved its financial performance.

"The World Bank is committed to support the government in strengthening the energy sector in Nepal during the crisis and for post-crisis recovery," stated **Faris Hadad-Zervos, World Bank Country Manager for Nepal**. "This operation will help Nepal develop a reliable, affordable, and sustainable energy sector that supports poverty reduction and shared prosperity in the country."

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