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## LOCAL BENEFIT SHARING PLAN

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### UPPER TRISHULI (UT-1) HYDROPOWER PROJECT (216 MW) RASUWA DISTRICT, NEPAL

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## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
BS	Bikram Sambat
BSC	Benefit Sharing Committee
CBO	Community Based Organization
CBS	Central Bureau of Statistics
COD	Commercial Operation Date
CDO	Chief District Officer
CSR	Corporate Social Responsibility
DoED	Department of Electricity Development
DPR	Detailed Project Report
EHS	Environment Health and Safety
EIA	Environmental Impact Assessment
ESIA	Environmental and Social Impact Assessment
ESTP	Employment and Skill Training Plan
GoN	Government of Nepal
GRM	Grievance Redressal Mechanism
HH	Household
HEP	Hydro Electric Project
ICIMOD	International Centre for Integrated Mountain Development
IDP	Internally Displaced Person
IFC	International Finance Corporation
IFC PS	International Finance Corporation Performance Standards
IMC	Implementation and Monitoring Committee
LALRP	Land acquisition & Livelihood Restoration plan
LBSP	Local Benefit Sharing Plan
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
NEA	Nepal Electricity Authority
NGOs/INGOs	Non-Governmental Organization / International Non-Governmental Organization
NWEDC	Nepal Water and Energy Development Company Pvt. Ltd.
O&M	Operation and Maintenance
PAF	Project Affected Family
PMU	Project Monitoring Unit
PDA	Project Development Agreement
PPA	Power Purchase Agreement
RAP	Resettlement Action Plan
R&R	Resettlement and Rehabilitation
SMC	School Management Committee
SPS	Safeguard Policy Statement
UT-1	Upper Trishuli-1
VDC	Village Development Committee

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## EXECUTIVE SUMMARY

The Local Benefits Sharing Plan (LBSP) is based on the objective of the Government of Nepal that hydropower development shall act as a stimulus to bring long-term sustainable benefits to Nepal by providing benefit sharing programmes based on the finding of the primary and secondary data of the demographic, socio-economic, and development indicators, as well as status of essential infrastructure in terms of housing, schools, hospitals and road networks.

The main objective of the LBSP is to support local development process through direct investments (including local shares, royalty sharing, supply of local rural electrification) as well as collaboration and support of complementary programmes/projects in the area so that communities and other stakeholders benefit from the Upper Trishuli-1 Hydro Power Project. It must be noted that the LBSP has been prepared in full cognizance of the commitments of the Land Acquisition Livelihood Restoration Plan (LALRP) and the Environment Impact Assessment (EIA) report and is closely intertwined with other plans such as the Nepal Employment and Skill Training Plan the Industrial Benefits Plan, and thus forms a part of the larger social impact management framework.

This plan is primarily based on the report titled “UT-1 Local Benefit Sharing Plans Annotated Outline: Upper Trishuli-1 Hydropower Project” prepared by NWEDC in July 2017. The Plan proposes to constitute two types of committees for its implementation, namely, Benefit Sharing Committee (BSC) and Implementation and Monitoring Committee (IMC). While BSC will have representations from the local government, project and local communities for all benefit sharing activities, the IMCs will be fully responsible for monitoring the implementation of individual projects under the LBSP. The IMCs will be responsible to and report to the BSC. For this, NWEDC will establish a unit, which will serve as the BSC secretariat. In addition to the communications plan to disseminate contents and progress of local benefit sharing activities in the project area, the plan also includes a grievance redressal mechanism to resolve grievances at the community level.

The total budget for the implementation of the Local Benefit Sharing Plan during the construction phase of the project is NPR 4,17,50,000 (*NPR four crore seventeen lakh fifty thousand only*), which will be utilized from the budget earmarked under the Environmental Enhancement Programme of EIA for benefit sharing. In addition to this, royalties allocated as 50% for the GoN, 38% for the development region, and 12% for Rasuwa district. Furthermore, the plan also suggests Nepal Water and Energy Development Company (NWEDC) to provide local shares in two tranches and provide free rural electrification for 350 project affected households living within 500m radius at 20 KWh per month.

## CHAPTER 1: INTRODUCTION TO LOCAL BENEFIT SHARING PLAN

### 1.1 Background

Upper Trishuli-1 hydropower project is proposed to be developed as a 216 Mega (MW) green field run-of-the-river project located in the upper part of Trishuli watershed in Haku VDC, Rasuwa District of Central Development Region of Nepal. IFC Infra-Ventures signed a Joint Development Agreement (JDA) with Korea South-East Power Co. Ltd, Daelim Industrial Co., Ltd, Kyeryong Construction Industrial Co. Ltd. and Jade Power Private Limited in March 2012 to develop the project. The Project Development Agreement (PDA) with the Government of Nepal was signed on December 29, 2016. Once commissioned, the project will account for sizeable portion of Nepal's current installed capacity and will sell power under a long-term Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA).

The intake site is located near the confluence of Bhotekoshi river at Dhunche and Haku VDC on the right bank of Trishuli River, about 70km directly north of Kathmandu. The Project consists of a 77-metre wide diversion dam in a narrow gorge located 275 metres downstream of the confluence of the Trishuli with the Bhotekosi River. The direction of the valley is mostly south-west. The dam site can be viewed on Google Earth at 28-07-36.61N and 85-17-52.42E. Apart from the dam and spillway, all structures are located underground on the right bank of the river. The Pasang-Lhamu Highway passes on the left bank of the river and is the primary access route for the development.

### 1.2 Objective of the Plan

The Local Benefit Sharing Plan (*hereinafter referred to as LBSP*) has been formulated in keeping with the requirements of the PDA signed on December 29, 2016. The primary purpose of the plan is to sustainably benefit local communities affected by hydropower investments. While the Land Acquisition and Livelihood Restoration Plan (LALRP) formulated for the project, is aimed at mitigating the impacts from land procurement for the project, the Local Benefit Sharing Plan, as per PDA, will be aimed at fulfilling the following objectives:

- Supporting the local development process through direct investments (including local shares, royalty sharing, supply of local rural electrification) as well as collaboration and support of complementary programmes/projects in the area so that communities and other stakeholders benefit from the Upper Trishuli hydro-electric project; and
- Demonstrating good corporate citizenship practices of NWEDC.

It must be noted here that LBSP serves as an umbrella plan and shall be supported by specific plans, including Industrial Benefits and Employment and Skill Training Plans formulated for the project.

This plan is expected to provide an understanding of (but not be limited to):

- Specific objectives of each of the mechanisms identified;
- Target groups and population;
- Year-wise target for implementation; and
- Key steps for implementation

The Local Benefits Sharing Plan anticipates to put in place a year-wise plan of implementation to achieve the above-stated objectives. It is of paramount importance for the plan to incorporate royalty, equity share, rural electrification, community development plan and EIA commitments.

### **1.3 Rationale of the Plan**

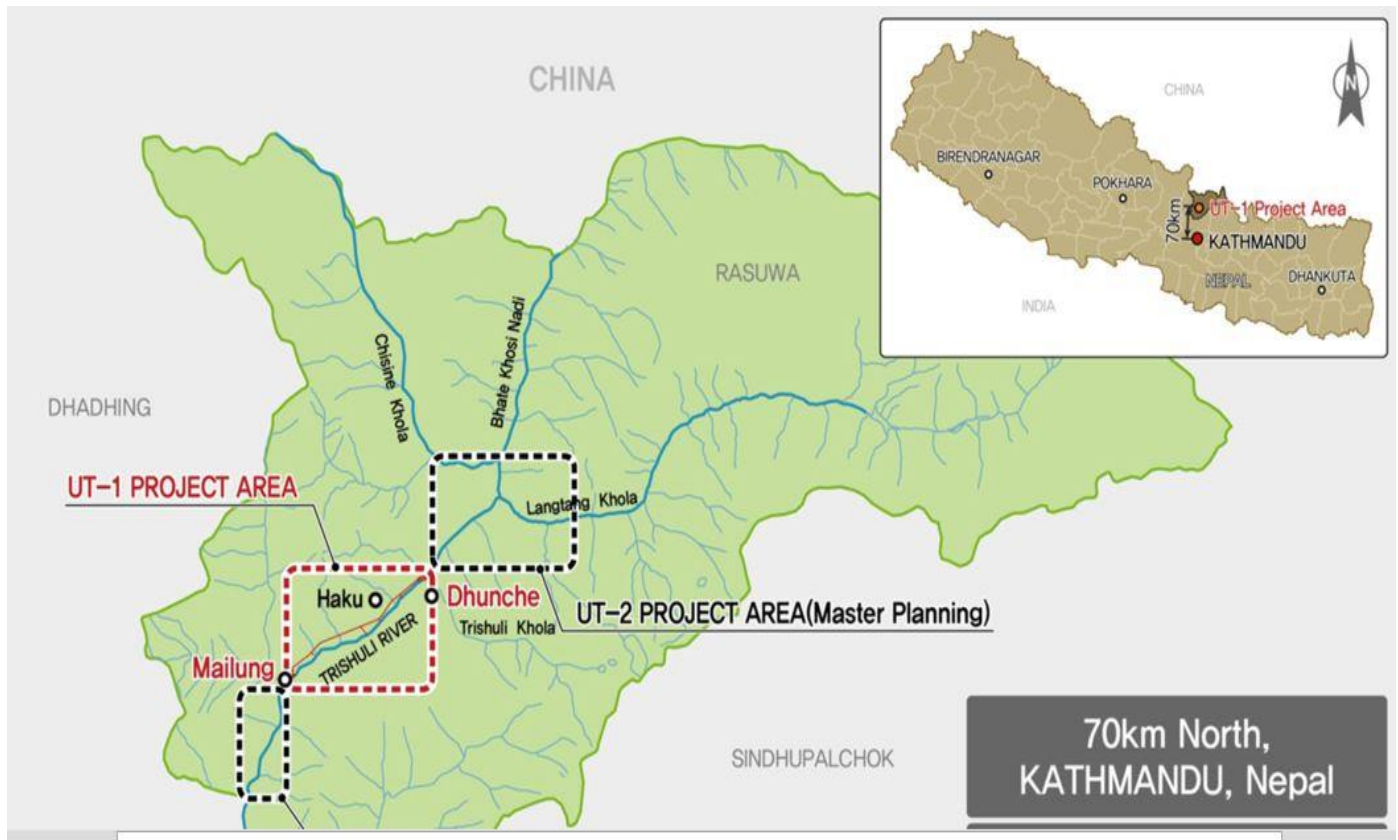
The PDA defines "Benefit Sharing" as the systematic effort of the Company, as well as GoN and GoN nominated agencies to equitably share benefits of Project with affected communities through benefit sharing mechanisms beyond mandatory mitigation and compensation measures, including but not limited to the enhancement measures detailed in the environmental reports during construction phase, and continued community development activities that benefit the affected communities throughout the concession term. Benefits typically include monetary and non-monetary initiatives.

The Project Development Agreement (PDA) requires NWEDC to prepare the Local Benefit Sharing Plan, including local share for the people from project affected area and rural electrification, in accordance with the existing law of Nepal and performance standards. As per PDA, "Local Benefit Sharing Plan" is understood to refer to the plan through which the Company agrees to benefit sharing through local community development activities reflected in the EIA, and that which the Company as a good corporate citizen will continue throughout the concession period by channeling some of the benefits generated by the operation of the Project to the affected communities beyond mitigation and compensation measures. The plan will provide the benefit sharing programs based on the finding of the primary and secondary data of the demographic, socio-economic, and development indicators, as well as status of essential infrastructure in terms of housing, schools, hospitals and road networks.

Accordingly, NWEDC has agreed to develop the plan to provide ample opportunities for local community development activities aimed at improving living conditions of the affected communities through livelihood enhancements and support to construction and maintenance of physical infrastructures such as roads, trails, pedestrian bridges, water supply and sanitation schemes in coordination with the local administration so as to avoid duplication of interventions and ensure sustainability of efforts.



**Map 1: Location map of UT-1 HEP**



#### 1.4 Scope of the Plan

Based on the above objectives and EIA commitments, the scope and boundary of this LBSP will be as follows.

**Table 1: Summary of scope of LBSP**

Components	Activities
Access enhancement	<ul style="list-style-type: none"> <li>• Trails and associated infrastructure</li> <li>• Foot bridges</li> </ul>
Water supply	<ul style="list-style-type: none"> <li>• Community water supply</li> <li>• Institutional water supply (health centers and schools)</li> <li>• Community small scale Irrigation</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Schools</li> </ul>
Health and sanitation	<ul style="list-style-type: none"> <li>• Health posts/centers</li> <li>• Sanitation</li> </ul>
Community infrastructure, organizations, and events	<ul style="list-style-type: none"> <li>• Community centers</li> <li>• Cultural and heritage sites</li> <li>• Community organizations</li> <li>• Community sporting and cultural events</li> <li>• Logistics support to mobile phone towers</li> </ul>

Livelihood	<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Small scale enterprises</li> <li>• Tourism/trekking industry</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Forestry</li> <li>• Soil conservation</li> </ul>

### 1.5 Salient features of Upper Trishuli-1 HEP

The proposed UT-1 HEP is a peaking run-off-river (PRoR) scheme with daily peaking of at least 3.65 hours. The dam site in Trishuli river is in the vicinity of Hakubesi village and the power cavern site is close to the village of Mailung. The UT-1 HEP envisages an installed capacity of 216 MW and is located in Rasuwa District. The location details and salient features of the project are summarized in Table 2 below:

**Table 2: Salient features of UT-1 HEP**

Location	Rasuwa District, Bagmati Zone (80km north-east of Kathmandu; intake site at Hakubesi of Haku VDC and powerhouse site at Mailung of Haku VDC Longitude: 85° 12' 40" E – 85° 18' 03" E Latitude: 28° 04' 27.5" N – 28° 07' 42" N
<b>Catchment and hydrological data</b>	
Catchment area and intake site	4350 km <sup>2</sup>
Area below 3000m elevation intake site	276.9 km <sup>2</sup>
Area below 5000m elevation intake site	2445.3 km <sup>2</sup>
Discharge at 90% exceedance	34.27m <sup>3</sup> /s
Design discharge	74m <sup>3</sup> /s
Design flood (2000 year)	3202m <sup>3</sup> /s
<b>Project features</b>	
Gross Head	350m
Net Head	333.93m
Installed capacity	216 MW
Average annual energy	1557 GWh
Diversion structure	Weir (77m wide)
Intake	Side intake type
Desander	Underground (L=123m; D=22.60M: W=10m; Number of Bay is 3)
Desanding flushing	Underground tunnel length=190m and width 2.5m
Headrace tunnel length	About 9.82km; 6.5m circular in shape
Surge tank	Circular shape 12 m diameter and 81.50m height
Vertical shaft	Length=292m and shaft diameter is 6.5m
Adit and different locations	Length=1135m; D-shaped diameter is 4m
Type of powerhouse	Underground
Size (L x B x H)	75.95m x 10.10m x 31.31m
Transformer gallery	Underground type
Switchyard and office area	Surface

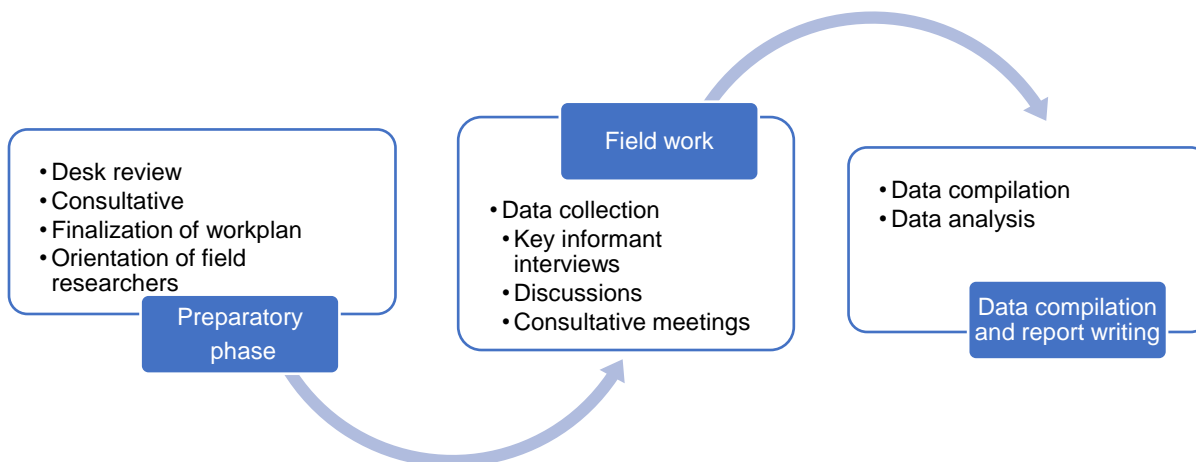
Size (W x L)	85m x 59m
Turbine type	Francis turbine, 3 number each 72 MW
<b>Power and energy</b>	
Average saleable energy	1440 GWh/year
Access road length	20.30km road from Mailung Dovan to intake site, including all Adit and road to Tungbar access
Transmission line	Connection to 10km length of 220 Kv double circuit to Upper Trishuli-3B and another option of Matatirtha with 60km length 220 kV.
<b>Construction period</b>	
Construction period	5 years from the start of construction
Project cost	USD 382.583 million
IRR	15.29%
B/C ratio at discount rate of 10%	1.197
Project cost per kW	USD 1771 (before financing)
Total financial cost	USD 486.450 million

Source: NWEDC, 2013

## 1.6 Plan preparation methodology

In order to prepare the Local Benefits Sharing Plan as prescribed in the scope of work, the study adopted using a comparative and deductive methodology that builds on both empirical observation and a review of the existing literature to establish an analytical framework that can describe what level of benefit sharing instruments are required in the project area. The overall research of the plan was divided in three phases: preliminary phase, field work and data compilation and report writing.

**Figure 1: Phases of plan preparation**



### 1.6.1 Preliminary phase

During the preliminary phase, the following activities were conducted:

**Desk Review:** The team reviewed the secondary data for better understanding of the project. An extensive review of literature related to local benefit sharing of the UT-1 HEP was carried out. The literature thus reviewed was jointly identified by consultant, NWEDC and DoED that included:

- Environmental Impact Assessment (EIA) Report;
- Land Acquisition and Livelihood Restoration Plan (2017);
- National Population and Housing Census 2011 (project rural municipalities);
- IFC Performance Standards (2012);
- ADB Safeguard Policy Statement (2009); and
- Rasuwa district profile prepared by Rasuwa District Development Committee.

The LARLP report produced by NWEDC in 2017 formed the basis of the review process. The literature was reviewed to ascertain the scope of LBSP, its contents, including baseline situation, needs assessment, activity planning and budgeting.

**Consultative meetings:** A series of consultative meetings were conducted in the project area at various phases of the study to finalize the scope of support areas. It further helped in identify the potential and existing stakeholders. These meetings facilitated in finalizing the areas of enquiry in all the identified support areas.

**Orientation to enumerators:** After finalization of the workplan, the team conducted an orientation programme to field enumerators to carry out data collection in the field. Enumerators were oriented on the areas of enquiry and scope.

### 1.6.2 Field work

Data collection commenced after orientation of the enumerators. Field visit was carried out from November 7—16, 2017. During the field visit, the consultants familiarized themselves with the local situation and interacted with the field project team members to get inputs and feedback on the content and format of the LBSP. In addition to this, the scope of the LBSP was also revised accordingly.

During the consultation, the team extensively interacted with project team members in the field, district level government agencies from all the components identified in the scope, and local organizations. Relevant questionnaires were administered to relevant people/organizations in all three erstwhile VDCs, namely Haku, Ramche and Dhunche. In-depth interviews and structured questionnaire surveys were executed by selecting respondents considering the sole factor of project affected households. Considerable attention was given to collect data from individuals from mix methods, *i.e.*, in a single interview two-way communication (discussion on the community's developmental needs), direct question answers and exploring history of ethnicity and family whom the respondents belong were done subsequently to ensure that information provided from same person could be checked in itself.

Primarily, issues discussed pertained to the need of the community in terms of infrastructure development as well as livelihood enhancement of the community. Discussions were also held with community members and locals along with school management committees. Such discussions pertained to the requirement in the project area, and how it would consequently impact the area in the long-run. These were limited to mostly infrastructure and livelihood development. The larger as well as smaller scope of needs were compiled and analyzed along with tabulation with existing secondary data mainly derived from the LALRP database. The list of key informants and stakeholders consulted is provided in Annex 1.

Data collected using this methodology reflect not only the design and implementation of benefit-sharing programmes, but also the diverse and evolving array of interpretations and beliefs about

benefit sharing that shape the benefit sharing plan. Accordingly, the study method also relied on triangulation, which allowed to check and validate information received from different functional groups of project stakeholders.

### 1.6.3 Data compilation and report writing

The baseline status of the project areas in terms of the identified support areas was reviewed based on which secondary data was available and information from the field was compiled to identify areas of need. This was then used to provide recommendations for LBSP. It is important to note that all analysis and recommendations have been conducted based on the current administrative structure of the Government of Nepal and this will need to be revised based on the new federal governance structure that is taking shape in near future.

**Table 3: Changes in administrative structure in project impacted villages**

Impacted village	Old administrative structure	New administrative structure
Haku Besi	Haku—3	Parvati Kunda Gaonpalika—1 and 2
Gogone and Tiru	Haku—8 and 9	Uttargaya Gaonpalika—1
Mailung	Dandagaon—9	Uttargaya Gaonpalika—1
Thanku	Haku—5	Parvati Kunda Gaonpalika—1 and 2
Phulbari	Haku—3	Parvati Kunda Gaonpalika—1 and 2
Indirectly affected villages	Ramche	Kalika Gaonpalika—1
Indirectly affected villages	Dhunche	Gosainkunda Gaonpalika—6

**Table 4: Total households by VDC and ward level**

SN	VDC	Total HHs	HHs by ward								
			1	2	3	4	5	6	7	8	9
1.	Haku	443	35	59	58	36	44	24	41	91	55
2.	Dhunche	714	43	25	23	36	257	20	29	272	9
3.	Ramche	489	12	44	78	71	55	49	32	82	66
Total		1646									

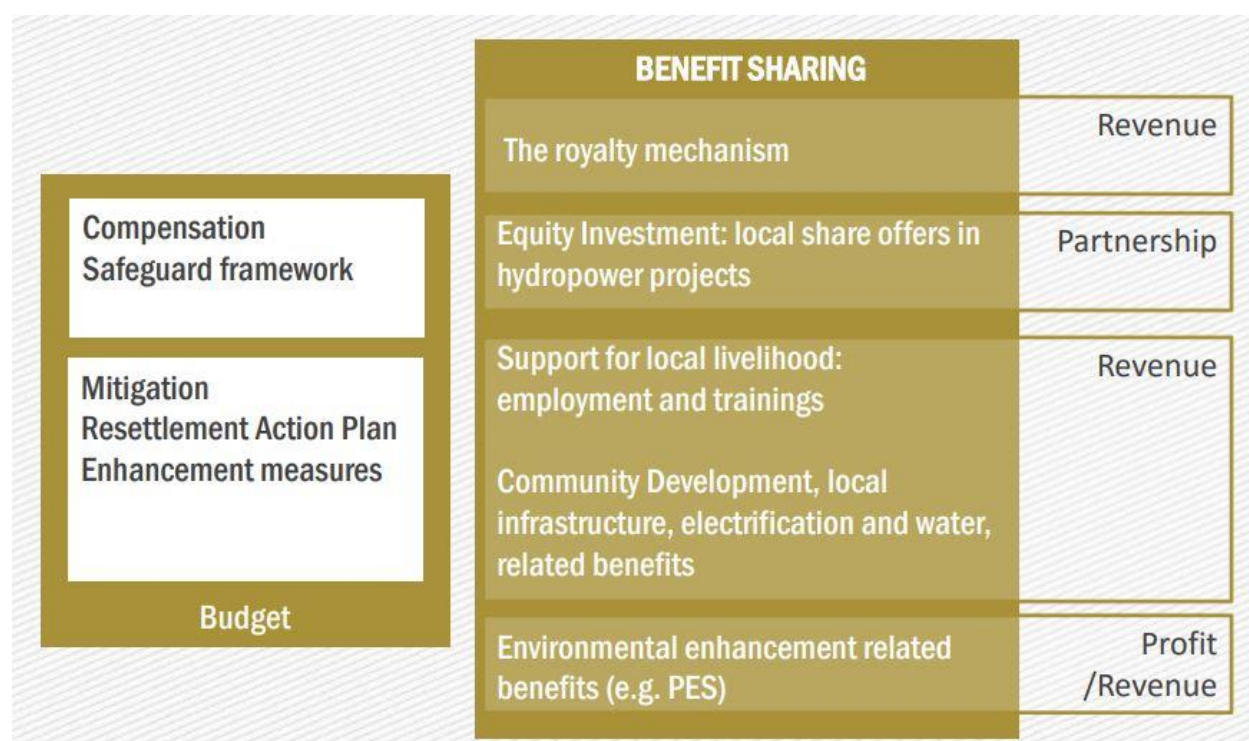
Source: National Population and Housing Census, 2011

### 2.1 Benefit sharing mechanism and existing practices in other HEPs of Nepal

The contemporary discourse on ‘benefit sharing’ parallels a broader reframing of hydropower development as an important vector for sustainable development and an increasing focus on resolving embedded issues of social and environmental equity. The 2000 World Commission on Dams (WCD 2000), the 2010 Hydropower Sustainability Assessment Protocol (IHA 2010) and the emergence of the concept of integrated water resources management (IWRM), for example, are all evidence of this increasing interest in sustainability standards and the idea that the requirements and goals of sustainability have evolved over the years. Increasing requirements for ‘social and environmental mitigation’ and new expectations for ‘corporate social responsibility (CSR)’ indicate a similar shift in the social dimensions of development projects. For hydropower developers, benefit sharing with local communities is also seen as a means of earning legitimacy.

In the past, however, hydropower projects have primarily focused on national priority while paying little attention to the adverse impacts on affected local population and its surrounding environments. This has resulted in the inequitable distribution of hydropower-related benefits and costs, in which the key beneficiaries of hydropower projects are generally located in distant areas, while mostly people are affected by project-induced negative externalities, but do not derive commensurate benefits (Egré 2007; WCD 2000). Various components of benefit sharing mechanism is given the Figure 2 below:

**Figure 2: Components of benefit sharing mechanism**



The concept of benefit sharing has been used in many HEP projects in Nepal. While the benefit sharing is used liberally by many, it has also been used liberally in some contexts. The modalities of benefit sharing have definitely evolved over time with communities engaged in continued

struggle to get benefits from the project in their backyard which they consider to be rightfully theirs. A brief snapshot of how similar HEPs in Nepal have implemented benefit sharing in their respective projects is provided in Table 5 below.

**Table 5: Major types of benefits provided by various HEPs in Nepal**

S N	HEP	Royalty	Local shares	Community development fund	Livelihood programme	Electricity support	Water and environment benefit
1.	Kulekhani I	Pays	NA	No	Local job, training	Infrastructure provided and no load shedding	Drinking, fisheries
2.	Kulekhani II	Pays	NA	No	Local job, training	Infrastructure provided	Drinking
3.	Marsyangdi	Pays	NA	Yes	Local job, training	NA	Drinking, irrigation
4.	Aandhikhola	Pays	NA	Yes	Local job, training	BPC grid distribution	Drinking, irrigation
5.	Jhimruk	Pays	NA	Yes	Local job, training	BPC grid distribution	Drinking, irrigation
6.	Khimti	Pays	NA	Yes	Local job, training	MHP plant built and local cooperative established	Drinking, irrigation
7.	Upper Bhotekoshi	Pays	6% private pending	Yes	Local job, training	Infrastructure provided	Drinking
8.	Kaligandaki A	Pays		No	Local job, training	Connection to some houses	
9.	Chilime	Pays	10% issued	Yes	Local job, training	Infrastructure provided	Drinking, irrigation, fisheries
10.	Middle Marsyangdi	Pays	NA	No	Local job, training	Infrastructure provided	Drinking, cultural, environment data
11.	Ridi	Pays	10% issued	Yes	Provided	Preferential tariff and no load shedding	Drinking, irrigation
12.	Siuri Khola	Pays	10% issued	No	Provided	Infrastructure provided	None
13.	Mai	Pays	10% issued	Yes	Provided	Infrastructure provided	Drinking
14.	Upper Marsyangdi	NA	NA	No	Provided	NA	Drinking



15	Puwa Khola 1	NA	10% planned	No	Provided	NA	TBD
16	Kulekhani III	NA	NA	No	Provided	NA	Drinking, attempted environment scheme
17	Rasuwagadhi	NA	10% planned	No	Provided	Infrastructure provided	Cultural, environment data
18	Upper Tamakoshi	NA	10% pending	No	Provided	Infrastructure provided	Drinking, environment data

Note: BPC = Butwal Power Company; MHP = micro hydro plant; N/A = not applicable; TBD = to be decided  
Source: ICIMOD, 2016

As the rate and scale of hydropower development begins to accelerate in Nepal, these royalties represent an increasingly significant resource for the Government of Nepal. A recent study points out that annual revenue collection from the hydropower sector (adjusted for historical prices) increased three-fold between 1993 (when the practice of royalty collection began) and 2010 (Balasubramanya et al. 2014).

## 2.2 Guiding principles of benefit sharing

On the basis of the review of PDA requirements and based on the understanding from the practices of other HEPs in Nepal, NWEDC shall develop its own principles to be finalized in close consultation with the Department of Electricity Development (DoED) at the time of formulating the detailed plan. The Local Benefit Sharing Plan will be based on the following guidelines and principles:

1. The project will ensure compliance to relevant applicable Government of Nepal regulations, IFC Standards and ADB Safeguards Policy Requirements;
2. The project will clearly define and communicate to concerned parties, the areas and populations that qualify for LBS initiatives, with a list of criteria and mechanism for dispute resolution;
3. The project will ensure that the LBS initiatives will include all influenced VDCs and settlements, based on a fair selection process for prioritization and stage-wise coverage);
4. The project will work with credible local institutions and create an enabling environment to promote greater local ownership of initiatives, with the aim of transferring/handling-over operations (where feasible) to ensure both local ownership and long-term sustainability.
5. Ownership and user rights will be clearly defined with local participation and involvement of concerned stakeholders for all assets created/enhanced under LBS initiatives;
6. The project will take into consideration all forms of extant ownership and user rights (individual and community) to ensure that these are not involuntarily compromised by the project's initiatives;
7. The project will take into account all the impacts (beyond 3 VDCs and ensure avoidance or effective management/mitigation);
8. The project will take into account existing schemes and programmes of the Government of Nepal, other plans formulated for the project and schemes and programmes of other multi and bi-lateral lending agencies with the purpose of ensuring complementarities and avoiding conflict or duplication;



9. The project will ensure transparency in disclosing information related to the LBS initiatives (impacts, benefits, eligibility criteria, people's participation, fund-utilization/expenditure, time-lines etc.), across the project lifecycle;
10. With the overall aim of furthering social inclusion, the project will aim to ensure local participation, (with special care to include marginalized and/or indigenous groups and persons) from planning stage to implementation and delivery;
11. All stages and components of the initiatives will take into account gendered patterns in livelihoods and aim for greater gender equity to ensure practical benefits for women such as necessary safeguards, ensuring access, increased income opportunities and greater financial security;
12. Recognizing existing social and economic vulnerabilities in the local populations, the project will build-in additional safeguards to ensure access and up-take of benefits;
13. The project-related information dissemination, engagement and disclosure will be through informed consultation and participation (ICP), aiming for the widest coverage and use of the most effective mediums of communication; and
14. The implementation of Local Benefit Sharing Plan will be monitored in terms of its impacts, process and outcomes as per agreed and approved indicators and timelines as defined in the monitoring plan.

## **2.3 International reference guidelines requirements**

### **2.3.1 IFC Performance Standards, 2012**

IFC applies the Performance Standards to manage social and environmental risks and impacts and to enhance development opportunities in its private sector financing to its member countries eligible for financing. Together, the eight Performance Standards establish standards that the client is required to meet throughout the life of an investment by IFC or other relevant financial institutions. Key requirements of these standards in terms of community development and benefit sharing are as follows:

- The project must improve, or at least restore the livelihoods and standards of living of displaced persons
- The project will offer displaced communities and persons compensation for loss of assets at full replacement cost and other assistance to help them improve or restore their standards of living or livelihoods
- Economically displaced persons whose livelihoods or income levels are adversely affected will also be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living
- The project may also provide alternative income earning opportunities may be provided, such as credit facilities, training, cash, or employment opportunities.

### **2.3.2 ADB Safeguard Policy Statement**

In July 2009, ADB's Board of Directors approved the new Safety Policy statement (SPS) governing the environmental and social safeguards of ADB's operations (1). The SPS builds upon ADB's previous safeguard policies on environment, involuntary resettlement, and indigenous people, and brings them into one consolidated policy framework with enhanced consistency and coherence, and more comprehensively addresses environmental and social impacts and risks. The SPS also provides a platform for participation by affected people and other stakeholders in the Project design and implementation. Key requirements of these standards in terms of community development and benefit sharing are as follows:

- The project shall at least restore livelihoods of all displaced persons in real terms relative to pre-project levels; and improve the standard of living of the displaced poor and other vulnerable groups.
- The project shall aim to provide displaced persons with opportunities to share project benefits in addition to providing compensation and resettlement assistance.
- The project shall attempt to ascertain specific opportunities for engaging affected persons as project beneficiaries and to discuss how to spread such opportunities as widely as possible among affected persons
- The project shall prioritize land-based resettlement strategies for displaced persons whose livelihoods are land-based.
- If land is not the preferred option of the displaced persons, or sufficient land is not available at a reasonable price, non-land-based options built around opportunities for employment or self-employment should be provided in addition to cash compensation for land and other assets lost.
- The project will also provide assistance to displaced persons in the form of credit facilities, training, and employment opportunities so that they can improve, or at least restore, their income-earning capacity, production levels, and standard of living to pre-displacement levels.
- The borrower/client will also provide opportunities to displaced persons to derive appropriate development benefits from the project.

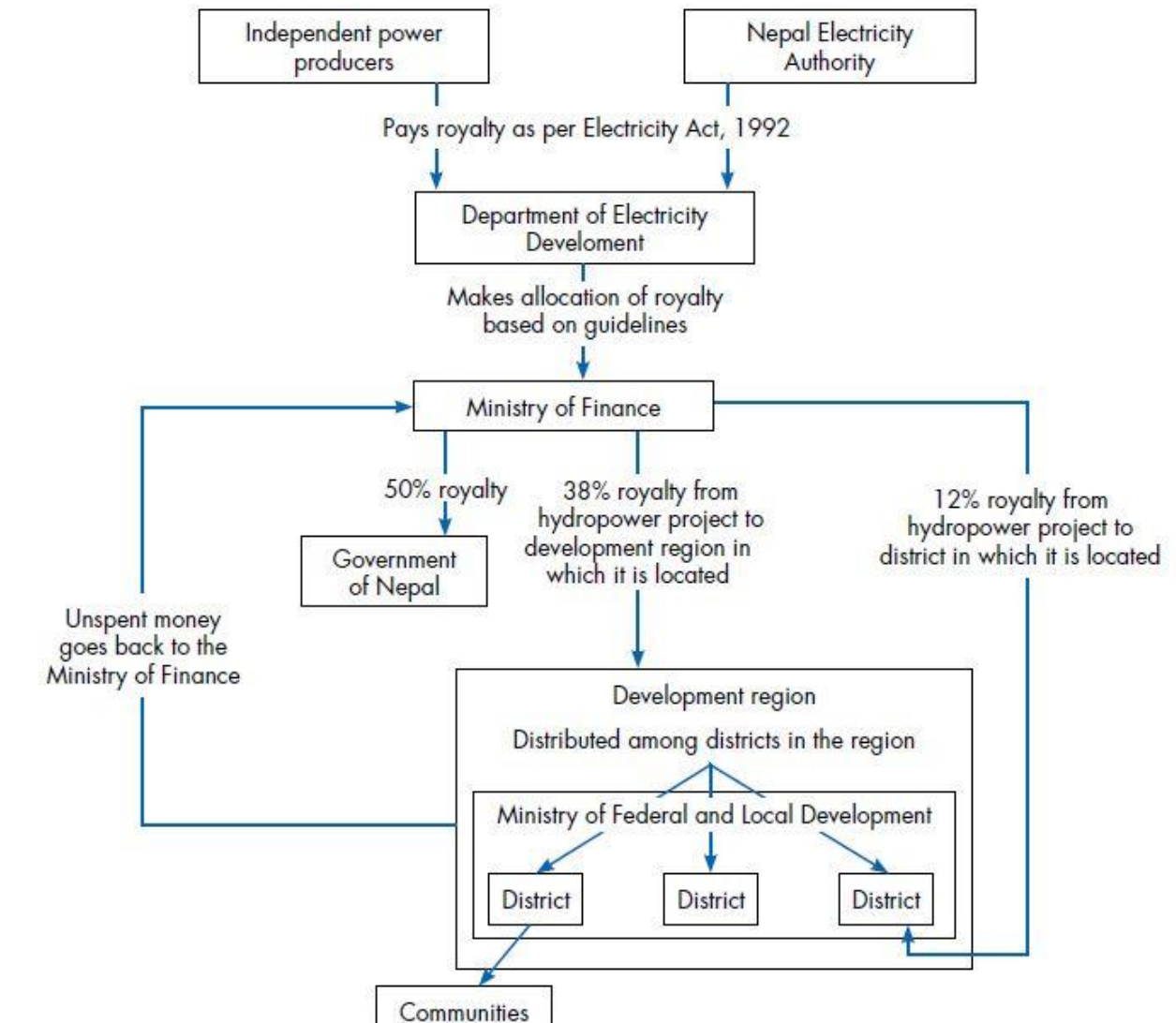
## **2.4 Royalty sharing mechanism**

Royalty sharing mechanism is one of the most common types of benefit sharing and usually works on a system of royalty collection by the government from hydro-electricity projects and distribution to local community through local government. Typically, royalty collected is based on the capacity of hydropower plant and annual generation of electricity. The annual capacity royalty amount increases ten times after 15 years and the energy royalty increases by five times after 15 years.

For the distribution of collected royalty, the introduction of new rules for revenue-sharing from royalties was first set forth in Local Self Governance Act and Rules of 1999. Initially only 30% of royalties collected were distributed to regional governments, but new rules implemented in 2004 (Magh 2060 BS) increased the amount shared to 50% (Balasubramanya et al. 2014). The royalty mechanism is intended to promote development on a district and regional scale by distributing benefits to local government institutions rather than individual beneficiaries. As the money is directly paid to District Development Committees (DDCs), the DDC council decides how the funds are used.

Once a project begins commercial operation, royalties flow from the hydropower project to the Department of Electricity Development based on the specific royalty payment criteria set forth in the Electricity Act, 1992 and then through the Ministry of Finance to DDCs across Nepal based on the Local Self Governance Act and Rules, 1999. Royalties are paid to the government only once the hydropower project reaches the commercial operation phase and, by all accounts, it takes at least a year for these funds to begin flowing back to the district level. Figure 3 depicts the process of collecting and distributing royalties in terms of flows, indicating the complexity of these transactions.

**Figure 3: Flow of royalty sharing process**



## CHAPTER 3: BASELINE NEEDS ASSESSMENT

### 3.1 Rasuwa district socio-economic profile

Rasuwa district is located in the north central part of Nepal with a population of 44,731 individuals (52.21% males and 47.79% female) and 8696 households and is one of the districts with the lowest population in the country. The district has an average household size of 4.43 individuals, and a sex ratio of 1016 females per thousand males, which is higher than but comparable to the national average (1050 females per thousand males). Covering approx. 1,544 sq. km. the district has a population density of 53.6 persons per sq. km as can be seen from the following table.

**Table 6: Rasuwa district demographic profile**

Variables	Value
Total population	44,731
Total Area (sq. km)	1554
Population density	53.6
Total Households	8696
Sex Ratio	1016
Average Household Size	4.43

Source: UT-1; Complementary Social Baseline, NESS, July 2014

However, post-earthquake, the district is expected to have undergone a shift in terms of the overall population, average household size and population density. This is primarily understood to be resultant from a portion of the population getting displaced and seeking refuge in VDCs such as Dhunche, Laharepauwa, etc. This is expected to have increased in the population and its density in urban areas and in settlements in the valley. Similarly, the families are also understood to have split up after the earthquake, due to space issues in temporary housing and also to gain maximum benefit from relief support given by NGOs/INGOs.

#### 3.1.1 Classification according to age groups

According to the information available, 34% of the district is reported to be within the age group of 0-14 years, while the age group between 15 to 59 (the productive age group) represent 56% of the population, and 10% aged 65 and above live in the district. Age structure is affected by fertility, mortality and migration. However, under normal situation, the effect of mortality and migration is smaller and proportion of population at each age group is mainly affected by fertility. This age structure indicates approximately three persons is in the working ages (15-59 years) have to care for two persons with age less than 15 years old and aged 60 years or more. This age structure is mainly due to declining fertility and mortality which suggests that a large share of resources have to be spent on basic facilities such as education, nutrition and health of young people just to maintain a status quo.

#### 3.1.2 Social groups

The population in the district is reported to be comprised of 18 ethnic groups, with the Tamang group (an indigenous group) comprising of the majority of the population (63.75%). Other main ethnic groups in the area are Hill Brahman, Gurung, Kami, Newar, Chhetri, Magar and Sherpas.

The main religion in the project area is Buddhism (69% of the total population), followed by Hinduism (25.4%) and Christianity (4%). Other religions in the area comprise of Islam, Kirat, Prakriti, and Bon. From the discussions with local community, it is understood that over the last years, there has been an increase in the number of conversions to Christianity. This is primarily reported to be resultant from the high presence of NGOs/INGOs in the district and an increase in the number of children studying in Catholic boarding schools. The district is characterized by nine languages, the most prominent of which is Tamang (60%), followed by Nepali (31.67%). Other languages spoken in the area are Newari, Magar, Gurung, Sherpa, Maithali and Tibetan.

### 3.1.3 Gender

While the female population constitutes 50.4% of the total population in the district, their access to education, property ownership and participation in social organization and economic activities is lower than in the case of their male counterparts. Compared to the 60.58% male literacy rate, 46.5% of the women are reported to be literate and only 8% of the women have legal ownership of property. However, life expectancy of women at 54 years is lower but comparable to that of men at 55 years. The following table provides an understanding of ownership of assets by women.

**Table 7: Female ownership of assets**

Asset	Number of Households	Percentage
Both House and Land	460	5
Land only	322	3
Neither house nor land	8892	91
Not stated	67	1
<b>Total</b>	<b>9741</b>	<b>100</b>

Source: UT-1; Complementary Social Baseline, NESS, July 2014

### 3.1.4 Education profile

The district is characterized by a literacy rate of 53.6%, with the male literacy rate being 60.58% and the female literacy rate being 46.5%. Of the literate population, 50% is reported to have education till the primary level while only 16% of the population is reported to have received the School Leaving Certificate and 7.18% has education above the intermediate level. This literacy profile of the district is undergoing a change in the post-earthquake scenario. This is reported to be resultant from a larger population moving towards urban areas and thus having better access to educational infrastructure.

The district is reported to have 129 educational institutions, of which 123 are managed by the community and 6 are institutional. Primary education institutions comprise of 80% of the total educational institutions. There are 16 educational institutions within the project working area out of which 13 are primary, 1 pre-primary, 1 primary and 1 higher secondary schools.

**Table 8: Number of educational institutions in the project affected VDCs**

SN	VDCs	Primary	Lower Secondary	Secondary	Higher Secondary	Total
1.	Haku	5	1	0	0	6
2.	Dhunche	4	0	0	1	5
3.	Ramche	4	0	1	0	5
<b>Total</b>		<b>13</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>16</b>

Source: EIA Report, NWEDC

The project area has education level up to secondary schools with each school having number of students from fifty to hundred. Factors like low ratio of teacher to student, number of school staff and maintenance of infrastructure and furniture are below par. The most important form of support needed as expressed during interactions with the District Education Office (DEO) officials and some local students and their teachers, including School Management Committees were:

- Upgrading of school infrastructure: This could be to upgrade the school building, enable schools to handle more students or to improve school facilities for students. Such infrastructures include new classrooms, school fencing, school playground, toilets, especially for female students. Improving or upgrading existing water supply systems was also an identified need.
- Provision of school furniture and supplies: This will include provision of desks, tables, chairs, writing boards, books for library, etc.
- Provision of computer and peripherals: This will be to enable the school to have the facility of computers and peripherals. The support will include provision for computers, printers, LCD projectors, UPS, etc.

### 3.1.5 Status of health

The district has 18 health care facilities, including one hospital at Dhunche. In addition to this, there are 17 health posts and sub-health posts at the VDC level. Apart from this, there are 42 primary health care outreach clinics, 57 Expanded Program on Immunization (EPI) clinics and 24 female and child health volunteers. The predominant diseases in the district include skin diseases, respiratory problems, diarrhoea, parasitic infections, gastric disorders and eye and ear infections.

Dhunche VDC is facilitated with only one district level hospital and one health post. Nearly 44,000 patients from Rasuwa district take medicinal services every year. Hence, it can be stated that the project area lacks sufficient number of health facilities as well as adequate quality of health services. According to the District Health Office, there is one health post and two sub-health posts in the project area. Moreover, improvement is necessary in the ratio of number of primary health service to the number of population mainly in Haku and Ramche VDCs. In terms of infrastructure, the existing facilities are not sufficient to provide access to primary health services to the population of the project area. Furthermore, it was also noted that only the health facility in Mailung has electricity supply with existing solar systems, whereas, the other areas did not have any existing backup system.

**Table 9: Number of health institutions in the project affected VDCs**

SN	Name of VDCs	Health Post	Sub-Health Post	Hospital
1.	Haku	0	1	0
2.	Dhunche	1	0	1
3.	Ramche	0	1	0
Total		1	2	1

Source: EIA Report, NWEDC

Health facilities also lack necessary equipment such as operating table (multifunction, electric/hydraulic driven), syringe pump, examination lamp, etc. for examination and testing and furthermore diagnostics of patients. Moreover, the existing facilities may require support infrastructure in terms of proper enclosures, waiting areas, etc. along with equipment support to improve health facilities and services.

One of the major concerns of the locals and health personnel was the lack of adequate primary health posts in the project area. There is a lack of first medical assistance for emergency condition. Locals felt that the lack of such first medical assistance in case of emergency was causing serious problems to the community. The expected optimum condition would be to have one health post per VDC but at least one health post per two VDCs are required.

District Women and Child Office identified that birthing centers are also a major need in the project area. There is also the potential of digitizing health centers in the project area so that these health centers can provide telemedicine related services.

### 3.1.6 Water supply and sanitation

In Rasuwa, 68% of the households are reported to be supplied with tap/piped water, while the remaining are primarily dependent upon nearby springs and rivers. The sources of water supply in most of the cases are springs. While 57% of the district is reported to have some type of toilet (predominantly being flush toilets with septic tanks) in their homestead, facilities of storm water drainage and wet sewage drainage do not exist in the district. The priority for benefit sharing in terms of community water supply will be the support to provide piped water supply to those households which still lack the facility. Furthermore, improving or upgrading water supply to educational institutions and health facilities in the project area was also an expressed need from various school management committee and health officials.

It was observed from the field visit that more than 55% of the households of the project affected VDCs have no access to safe drinking water. Local people informed that drinking water came from nearby water springs, gullies, etc. where sustainable water availability was hardly sufficient. Similarly, Haku and Ramche VDC was found to have very poor sanitation facility compared to Dhunche VDC which had relatively better access to water and sanitation facilities. Similarly, 65% of the households of the project affected VDCs have no toilet facility.

**Table 10: Status of drinking water facilities in the project affected VDCs**

Indicators	Haku	Dhunche	Ramche	Average
HH with access to safe drinking water	0.00	73.87	60.96	44.94
HH with no access to safe drinking water	100	26.13	39.04	55.06
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Rasuwa District Public Health Office, 2016

### 3.1.7 Access enhancement

The road network in Rasuwa district is not extensive due to rugged terrain. The types of roads that exist can be categorized as black top, gravel and earthen. The district has a core road network of 252 km, all of which is earthen. There are only 163 km of village roads, of which 6 km is graveled and the rest is earthen. Trishuli-Syafubesi Highway is the lifeline in the project area of influence.

The road sections measuring 20.3km from Mailung Dovan to intake site, including all Adit and road to Tungbar access, is being constructed by the project. These roads will also serve to enhance access to the settlements in the project area. During the field visit, it was observed that NWEDC has already started to implement the proposed road access development that will provide improved access to and in the project area. This will go a long way in addressing the feedback received from many locals and for improved vehicular access to settlements in the project area.

However, majority of the population still use foot trails to commute. Improvement and upgrading of existing short foot trails along with rest stop facilities and foot bridges on these trails will enable quicker and more comfortable commute of local population, especially to basic facilities like markets, health centers, schools, etc. The qualitative assessment made it evident that to reach some of the major areas and major centers mostly in Mailung and Haku, it was necessary to upgrade these foot trails given that the current status and state are not in the best of conditions. In addition to this, it was also found that during monsoon season, access to the project areas will be difficult.

### 3.1.8 Community infrastructure, organizations and events

#### 3.1.8.1 Community infrastructure

The infrastructures in the community are limited to community centers, cultural, heritage and religious sites. There are various community buildings such as the community forest buildings in the project area. However, some of these buildings lack proper flooring and are currently mainly used for holding meetings. From qualitative data collection, it was found that these halls, with some upgrading, could also be used for community programmes and wedding events.

In addition to this, there are community learning centers—one each in the project VDC. Community learning centers are systems in place sometimes linked to schools or individual organizations, which promote academic excellence through services and promotion of education, health, social, civic and the likes to students, their parents and the community members.

**Table 11: Name of Community Learning Centers**

S. No.	Community Learning Centre	VDC
1	Hakubesi Community Learning Centre	Haku
2	Ramche Community Learning Centre	Ramche
3	Tulku Chholing Gumba Community Learning Centre	Dhunche

However, these community learning centers are in dilapidated conditions and utmost attention is needed to repair and ensure ownership from the respective *Gaonpalikas*. In terms of improving the learning centers, support can be provided for repairing and equipping these centers with adequate furniture and required equipment.

#### Storage facility

Interactions at the District Agriculture Office and the Service Centre, an agriculture user committee group in Dhunche revealed the they need a storage facility, especially for horticulture and herbs, at a strategic location so that it provides maximum benefits to the project area. General storage areas were utilized as per space available around local organizations, but an actual center where such services were available were not found in the project sites.

#### Religious Centers

There does not exist any community religious center in the project area. However, some religious sites in or near the project area are Haku Gumba, Gosaikunda, Parvatikunda, Bhairavkunda and Dudhkunda. Besides these, there are some *deuralis* near the project area which are also considered as religious sites. Hence, supporting the upgradation of the existing religious sites where religious events are held is also considered important.



### **Community organizations**

Various existing community-based organizations formed by service groups from the community members from various sectors are existent in the project area. From discussions with various stakeholders, there was a need of institutional capacity enhancement as well as support in awareness raising programmes to their projects so as to garner positive impression about UT-1.

### **Community events**

Communities in the project area hold numerous sports and cultural events. These include football, volleyball and similar events, as well as various religious festivals, especially of the Tamang community (such as Tamu Loshar and Pancha Bali). These events would need logistical support.

### **3.1.9 Agriculture**

Majority of the population of the project affected VDCs follow agriculture for their subsistence. However, in recent years, these VDCs have shown a trend of shifting occupations from agriculture to service-based occupations for livelihoods. In case of agricultural productivity generation, for income generation on a general basis were identified to be rice, maize, millet, beans, barley, buck wheat and wheat. In the project area, livestock and horticulture are two major sources of livelihoods of the project affected communities. Most of the people in the project area are engaged in agro-based activities followed by small scale business and seasonal trekking with foreign tourists for Langtang area. Tiny scale occupations over there are foreign employment, services, local trades, masonry and carpentry works.

Animal husbandry and grazing are the main livelihood options at higher elevation while agriculture and animal husbandry are main stay at lower elevation. Other supplementary off-farm occupation is business, tourism and construction. According to the vulnerability district mapping of Nepal (NAPA, 2010), Rasuwa is ranked as the category of highly vulnerable district in the index of ecological and landslide vulnerability.

### **3.1.10 Eco-tourism**

Mountain climbing, trekking, bird watching and nature treks are major tourist attractions in the district. The district also has many lakes and wetlands (Gosaikunda, Parvatikunda, Bhairavkunda and Dudhkunda) waterfalls as well as religious sites (Haku Gumba, Uttargaya and Kalika temple in Ramche). Langtang National Park also falls in the district. Some of these attractions and the route to others fall in the project area. Therefore, tourism (especially eco-tourism) can be promoted in the project area. This will include supporting locals to develop eco-friendly home stays and supporting in the marketing of ecotourism in the area, among others.

### **3.2 Context for developing Local Benefit Sharing Plan**

The Local Benefit Sharing Plan has been formulated in keeping with the above-mentioned understanding of benefit sharing, project context, the impacted area and the impact of the Gorkha earthquake on the district and the project area of influence. Some of the specific elements that have been taken into consideration in preparing the plan are as follows:

- The project area has been impacted by the 2015 Gorkha earthquake.
- The earthquake of April 2015 caused huge losses to the people residing in Rasuwa district at large; especially in Gogone and Tiru. The local community in the project area suffered impacts pertaining to loss of life and property, loss of livelihood, physical injuries, psychological trauma and damage to agricultural land.
- The earthquake and subsequent landslides resulted in the local community (Haku Besi, Phoolbari, Gogone, Tiru, etc.) vacating their villages and seeking refuge in Internally Displaced People's (IDP) camps such as Naubesi, Satbise, Bogetetar, etc.
- The land of Gogone, Tiru and Mailung, is heavily impacted by the earthquake. The path from these locations to these villages has been severely damaged and only a few families have gone back to Tiru or Gogone because of the highly prevalent risk of landslides.
- In case of Haku Besi, Thanku, Phulbari and other nearby villages, though there was destruction of residential structures, the agricultural land is reported to have suffered minor damages, most of which can be or have been repaired. Thus, the people of these villages have started going back to their original villages, either for short duration or some families permanently.
- Most households are moving back and forth between the native villages and the IDP camps. From most households, at least a few household members return to the native village for cultivation three times in a year, for usually 10-15 days at a time. The families return to the IDP camps during monsoons and winters. However, none of the households from Gogone have not returned due to extensive damage and continued risk of landslides.

## CHAPTER 4: COMPONENTS OF BENEFITS

### 4.1 Access enhancement through the support to road networks

The intake area of UT-1 HEP can be reached by two hours walk from Dhunche. At present, there is no passable access for wheeled transport to headworks. One of the proposed activities that the project will conduct is the upgrading of important road links in the project area. The development or upgrading of the road network will improve access of local communities to and in the project area. This will go a long way in addressing the feedback received from many locals and vehicle operators for improved vehicular access to settlements in the project area. Since the road development will be carried out by NWEDC, no separate budget will be allocated for this purpose in this LBSP.

#### 4.1.1 Foot trails and foot bridges

The project will support the rehabilitation or upgrading of existing short foot trails that connect villages to main roads, schools, health centers or other such important community facilities. This will also include support for rest stop facilities on these trails and foot bridges. The support will be through a one-time grant support to the local community through a users' group duly recognized by the government. The trails to be supported should be typically 3 to 5 kilometers long. The request for such support should come from the users' group through the respective rural municipality. A case in point is the Tamang Heritage Trail located in Dhunche VDC, which requires regular upgradation as it passes through the traditional Tamang villages where life, culture and crafts have remained unchanged since the beginning of the settlements.

### 4.2 Water supply

#### 4.2.1 Community water supply

There is a need for water supply to households that are still lacking such facilities. The project intends to support such identified households. The approximate number of households in the project area stands at 113. The local Water and Sanitation Office could be the proper entity to support this activity at a later stage.

**Table 12: Number of households without piped water supply**

VDC	Households without drinking water supply
Dhunche	14
Ramche	44
Haku	55
<b>Total</b>	<b>113</b>

It will not be possible to cater to every household that lacks water supply, but the project will provide water supply schemes and water taps to these communities for common use of local population, with a common water tap in the community. The location of the households will be the deciding factor for this. For scattered households lacking water supply facility, access will be provided by extending pipeline from the nearest supply point at a reasonable distance from such household. NWEDC will provide a one-time grant for the development of such facility through a users' group duly recognized by the government. The users' group will have to manage the water supply scheme ensuring that the support is used for the intended purpose, that the scheme gets completed and that it is sustainable. The request for support should come from the users' group

with the recommendation from the respective rural municipality. The project will not be liable for repairs and maintenance of such schemes.

#### 4.2.2 Water supply to educational facilities

In order to respond to the needs of improving or upgrading water supply to educational institutions which are currently in existence in the project area, the project will provide a one-time grant for its development through the school management committee. The committee will have to manage the scheme, ensuring that the support is used for the intended purpose, that the scheme gets completed and that it is sustainable. Requests for such support should come from the respective rural municipality (*Gaonpalika*). The scheme could be to rehabilitate the damaged water supply and storage provisions of the school. After the one-time support for improvement or upgrading of existing supply, further repair and maintenance of such schemes will not be the responsibility of the project.

#### 4.2.3 Water supply to health facilities

In order to respond to the need for improving or upgrading water supply to health facilities in the project area, the project will provide a one-time grant for its development through a duly recognized management committee or equivalent. The committee will have to manage the scheme, ensuring that the support is used for the intended purpose, that the scheme gets completed and that it is sustainable. Requests for such support should come from the respective rural municipality. The scheme could be to rehabilitate the damaged water supply and storage provisions of the health facilities. However, the project will not be liable to repairs and maintenance of such projects and its responsibility will solely rest with the health centre.

### 4.3 Support education

#### 4.3.1 Upgrading school infrastructure

The project will support schools in the project area to rehabilitate or upgrade its infrastructure. This may include construction of new rooms for classroom, laboratories, library or other reasonable purposes. It will also be constructing or rehabilitating school fencing, playground, toilets (especially for female students).

The project will provide a one-time grant for the upgradation of school infrastructures. These upgradation works will have to be managed by the school management committee ensuring that the support is used for the intended purpose, that the work gets completed and that it is sustainable. The repair and maintenance of such upgraded infrastructure will not be the responsibility of the project whatsoever.

The project will not take responsibility to obtain land required for the construction nor for any permits or licenses that may be required. This will be the responsibility of the school management committee.

#### 4.3.2 Furniture and supplies support to schools

The project will provide support to schools in the project area to obtain desks, tables, chairs, black/white boards, books for library, and other similar reasonable furniture and supplies required by the school for upgrading to the next level, expanding to accommodate more students or to improve quality of education. The project will provide a one-time grant for support. These furniture and supplies will be handed over to the school management committee, who will ensure that it is used for the intended purpose.

#### 4.3.3 Computer and peripherals support to schools

The project will provide support for computers and peripherals to the schools in the project area. The peripherals may include UPSs, printers, LCD projectors, etc. This support will be to enable the school to be connected to the internet and using it for teaching and learning purposes. However, this support will be contingent on the school already having electricity supply required to power the computers and peripherals.

The project will provide a one-time grant for support. These equipments will be handed over to the school management committee, who will ensure that it is used for the intended purpose. The operation and maintenance of the computers, peripherals and the internet connection will have to be managed by the school itself. The request for all the above three types of support for schools should come from the related School Management Committee through the respective rural municipality.

### 4.4 Support to health

#### 4.4.1 Upgrading health center infrastructure

The project will support health centers in the project area to rehabilitate or upgrade their infrastructure for upgrading to a higher-level health center, improving capacity to cater to more patients or to improve quality of service. This may include construction of new rooms, constructing or rehabilitating fencing, toilets, digitization of the health post, solar panels, support for awareness programmes on hygiene and sanitation and distribution of hygiene and sanitation kits (containing toothpaste, toothbrush soaps, wipes, comb), where needed.

The project will provide a one-time grant for this support. These upgrading works will have to be managed by the health center management to ensure that the support is used for the intended purpose, that the work gets completed and that it is sustainable. Repairs and maintenance of such upgraded infrastructure will not be the responsibility of the project. It must also be noted that the project will not take the responsibility to obtain land required for construction nor for any permits or licenses that may be required. This will be the responsibility of the health center management or its parent entity.

#### 4.4.2 Furniture support to health centers

The project will provide support to health centers in the project area to obtain desks, beds, tables, chairs, notice boards, and other similar reasonable furniture and supplies required by the health center for upgrading to the next level, expanding to accommodate more patients or to improve quality of service. The project will provide a one-time grant for support. These furniture and supplies will be managed by the health center management, ensuring that the support is used for the intended purpose.

#### 4.4.3 Support to birthing centers

The project will support the establishment of birthing centers in centrally located centers in the project area. The support will include construction of building or rooms, provision of furniture and equipment required for efficient operation. The project will provide a one-time grant for the support. This support will have to be managed by the committee or parent body, that will manage the birthing center to ensure that it is used for the intended purpose, that it gets completed on time and that it is sustainable. Repairs and maintenance of such centers will not be the responsibility of the project.

The project will not take responsibility to obtain land required for construction nor for any permits or licenses that may be required. This will be the responsibility of the committee or parent body that will manage the birthing center. Staffing the birthing center with adequate number of trained

personnel will also be the responsibility of the center management or its parent body. Requests for all the above three types of support for health centers support should come from the related health center, with the recommendation from the respective rural municipality.

## **4.5 Community infrastructure, organizations and events**

### **4.5.1 Community infrastructure**

#### **4.5.1.1 Storage facility**

The project will also assist to construct a storage facility for horticulture or herbs at a strategic location in the project area. Given that it is the major cash crop of the district as well as the project area, the location needs to be selected such that it is equally accessible to the farmers to bring their produce to the facility and transport of the goods to the market. Land for building has to be arranged by the local communities.

#### **4.5.1.2 Upgradation of community halls**

The project will upgrade community halls (what is the location and how many halls) so that they can be used for various community functions as well as marriage ceremonies. Support like improving the flooring of the halls and may be provided.

#### **4.5.1.3 Upgradation of religious/heritage sites**

Support will be provided for improvement and rehabilitation of religious/heritage sites in the project area. This may include civil and electrical works. Support may also be provided to make these sites friendly for people with disability.

### **4.6 Community organizations**

Support will be provided for capacity building of community-based organizations in the project area, especially those working in the areas covered by the LBSP. This support will primarily be for training programmes, but may also include one-time support for upgrading infrastructure, furniture and equipment. Special focus will be given to supporting training-of-trainers. This will enable the community organization members to train other individuals in the project area, ensuring sustainability of the capacity building effort. Requests for such support should come from the related community organization with the recommendation from the respective rural municipality (*Gaonpalika*).

### **4.7 Community events**

Support will be provided to major sporting events in the project area. The support will be in the form of supply of materials. Possible materials may be banners, boards, markers, sporting goods, uniforms, prizes, prize money, etc. Similar support will also be provided for major cultural events in the project area. Request for such support should come from the related organizing committee or organization with the recommendation from the respective rural municipality.

### **4.8 Support to livelihoods**

Households falling within the project area will be provided support with agricultural needs as well as livestock rearing opportunities for better livelihood enhancement. In terms of agriculture, new improved seeds, as well as tools for the same purpose will be provided. However, a proper monitoring mechanism will be in place to see the implementation of such activities. Moreover, households with only senior citizens (people over 60 years), will be provided a suitable pension support. This modality of such support will be worked out in details by NWEDC in consultation with relevant stakeholders.

#### 4.9 Support to small scale cottage industries

Support will be provided to cottage and small scale industries in the project area as envisaged by Nepal Employment and Skills Training Plan, which is a PDA requirement and the government and the developer is jointly developing the plan. The support will be in the form of purchase assistance for the equipment, assisting in the sourcing raw materials, providing business management capacity building programme and support for marketing their goods and services.

#### 4.10 Support to eco-tourism promotion

Support will also be provided to help make tourism (especially eco-tourism) related businesses in the area sustainable. This would include promotion and marketing of home-stays and associated training. In addition to this further awareness will be made to bring in tourists for various activities such as trekking, bird watching, mountain climbing and other sight-seeing.

#### 4.11 Support to employment and skill-based training

As per the PDA, DoED and NWEDC are jointly developing Nepal Employment and Skill Training Plan to impart training to the people of project affected area. The objective of plan is to create opportunities for employment, training and skills enhancement in project related activities or vocational trainings and other trainings. The activities of the skill training plan will be inter-linked with the Local Benefit Sharing Plan so as to avoid duplication of livelihood support works.

#### 4.12 Benefit sharing options

In keeping with the EIA requirements and the understanding of benefit sharing in Nepal, following options have been identified for the LBSP for UT-1 HEP.

**Table 13: Benefit sharing programme**

Monetary benefits	Non-monetary benefits
Monetary benefit refers to sharing part of the monetary flows generated by the operation of hydropower projects with local communities. It includes, but is not limited to, the following mechanisms: <ul style="list-style-type: none"><li>• Direct payments/royalty and revenue sharing</li><li>• Preferential electricity rates</li><li>• Payments for environmental or ecosystem services</li><li>• Community development fund</li><li>• Equity sharing</li></ul>	Non-monetary benefit refers to the approaches adopted by the project entity for ensuring that local communities benefit from construction and operation of a hydropower project in non-monetary terms: <ul style="list-style-type: none"><li>• rural electrification,</li><li>• improved infrastructure,</li><li>• support for health and education programmes,</li><li>• improved access to fisheries &amp; forests, and</li><li>• legal title to land</li></ul>

**Note:** Based on the understanding of the above-mentioned benefits, profile of the project affected area, guidelines and PDA, following activities have been considered in the local benefit sharing plan.

1. Sharing	1. Livelihood improvement
Allowing the local population an equity stake (i.e., shares). As mentioned previously, current thinking requires moving beyond mitigation and compensation to work with	This includes providing support to the project affected communities in a bid to improve their standard of living through series of livelihood improvement activities.



communities to maximize development benefits and engender more equitable outcomes. Providing the local government a share in the royalties for the project.	
<b>2. Community development fund/plan</b>	<b>2. Associated infrastructure and public investment</b>
Community development funds financed from electricity sales can be established to foster economic development in the project areas, including the project-affected communities. The sources of the fund can also be from the royalties and taxes paid to the government. The objectives, structure, and duration can be the result of negotiations between local authorities and the hydropower project companies. An important component of community development is rural electrification	The investment can cover social and environmental investment such as for schools, health facilities, local infrastructure or watershed protection.  Local people will benefit from these investments if efforts can be made to ensure they are an integral part of the local development plan

Based on the programmes identified above during the preparation of the detailed local benefit sharing plan, specifics of such mechanism will be put in place, which shall provide details on how each of the initiatives will be rolled out. While finalizing the modalities of such plans, NWEDC will refer to PDA and other regulatory requirements (including past precedence of court judgements in Nepal) and comply with lender's requirements.

In addition, the plan will provide an understanding of (but not be limited to) the specific objectives of each of the mechanisms identified; the target groups and population; the year-wise targets for implementation; and key steps required for its implementation. A year-wise plan of implementation will be put in place for achieving the objectives identified.

These programmes have been based on the understanding of the above-mentioned benefits and the existing demographic profile of Rasuwa district. The section below describes the modalities that have been considered in preparing the plan to meet PDA requirements.

#### **4.12.1 Royalty to the Government of Nepal**

According to the PDA requirements (Section 11.22.2), the royalty payable shall thus be based on the following table.

**Table 14: Royalty payable to the government**

From the first Unit Commissioning Date until the fifteenth (15 <sup>th</sup> ) anniversary of the Commercial Operation Date	From the earlier of the Energy Start Date or the Commercial Operation Date until the fifteenth (15 <sup>th</sup> ) anniversary of the Commercial Operation Date	For the period commencing on the day falling immediately after the fifteenth (15 <sup>th</sup> ) anniversary of the Commercial Operation Date and ending on the last day of the Term
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Capacity Royalty Rate (per KW per annum)	Energy Royalty Rate	Capacity Royalty Rate (per KW per annum)	Energy Royalty Rate
NPR 200	2% of the Energy Receipts	NPR 1500	10% of the Energy Receipts

The capacity royalty chargeable from the project shall be calculated based on the following:

- From and after the first Unit Commissioning Date until the Commercial Operation Date: Capacity Royalty Rate multiplied by the total nameplate capacity (in kW) of the relevant unit(s) of the Power Station that has been commissioned.
- From and after the Commercial Operation Date: Capacity Royalty Rate multiplied by the total nameplate capacity (in kW) of the Power Station.

However, the royalty shall not be payable if:

- If NEA is in default of its payment obligations under the Domestic PPA;
- Any payments received from GON or NEA in the circumstances described in the following PDA sections: Section 6.1 (*GON rights and obligations*), 12.7 (*Staggered Remedies*) or 12A.6 (*Change in Law*) or Local Free Power.

It is further clarified in the PDA that in the event of non-payment of any undisputed amounts due and payable by GON to the Company under this Agreement, the Company shall, at its option, be entitled to set-off such amounts against the Capacity Royalty and/or Energy Royalty payable by the Company.

The capacity royalty chargeable from the project shall be calculated based on the following:

- From and after the first Unit Commissioning Date until the Commercial Operation Date: Capacity Royalty Rate multiplied by the total nameplate capacity (in kW) of the relevant unit(s) of the Power Station that has been commissioned.
- From and after the Commercial Operation Date: Capacity Royalty Rate multiplied by the total nameplate capacity (in kW) of the Power Station.

However, the royalty shall not be payable if:

- If NEA is in default of its payment obligations under the Domestic PPA;
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It is further clarified in the PDA that in the event of non-payment of any undisputed amounts due and payable by GON to the Company under this Agreement, the Company shall, at its option, be entitled to set-off such amounts against the Capacity Royalty and/or Energy Royalty payable by the Company hereunder.

#### **4.12.2 Local equity shares**

In addition to royalty sharing, the project shall make available shares to the local community. These shares shall be available for purchase by any member within the local community at a

subsidized rate. As per PDA, 10.17.1 *“At the option of the Project Affected People, the Company agrees that the Project Affected People:*

*(a) Required to be resettled and rehabilitated as a result of the Project; and  
(b) Who are natural persons and other natural persons residing permanently in the districts of the Project Area at the date on which the construction activities for the Project commence, shall, directly or indirectly, be sold or issued up to a maximum of ten per cent (10%) of all the Company Shares with the value of each share determined on the basis of the face value of such shares without applying any premium, which shall be exercised and the total value paid in full in the period from the date of Financial Close until the date which is three years after the Financial Close. GoN shall work together with the Company to agree on a local share allocation plan and implement such effective mechanisms and processes that is not cumbersome in the ordinary course of business to the Company to give full effect to the transactions envisaged in this Section 10.17.1 (Local share). For the avoidance of doubt, the Company shall not be required to issue any Company Shares to the general public.”*

This market-based strategy of benefit sharing provides local shareholders with a direct financial claim to profits generated by the projects that impact them. NWEDC shall allocate 10% share to the project affected communities and 15% to the general public.

#### **4.12.3 Rural electrification plan**

Rural electrification is an important component of the benefit sharing mechanism. The PDA specifically states that no later than the Financial Close, the Company, in consultation with GoN, shall identify each household (an "Original Household") within the geographical area described in Schedule 12 (Nepal Employment and Skills Training Plan Guidance Note). It also states that from and after the Commercial Operation Date, the Company shall supply (at its own cost) twenty (20) kWh of electrical output ("Local Free Power") each Month during the Term without charge to each household within the Free Electrification Area as at the Commercial Operation Date to up to 200% of the number of Original Households identified pursuant to Section 11 .8.1 (Rural Electrification) (each an "Eligible Household").

Similarly, Schedule 11 of the Rural electrification section additionally mentions that: From and after the Commercial Operation Date, the Company shall make available for use by each Eligible Household within a 500 metre radius of the headwork and power station as at the COD as identified by the Company and GoN (which shall not be more than 200% of the Original Households), twenty (20) kWh of electrical output free of charge each Month during the Term. It also mentions that prior to the COD, the Company shall build the distribution network to supply such Local Free Power to each Eligible Household within the Free Electrification Area in accordance with Section.

#### **4.12.4 Community development plan**

The project has undertaken a number of community development and infrastructure development activities in their Area of Influence (AoI) as part of their CSR activities. In addition to this the project was also involved in various relief efforts post-earthquake, an understanding of which is provided in the LALRP. The project is also supporting the rebuilding of two schools in Haku Besi and Dhunche and one health centre.

Schedule 11 of the PDA further states that in addition to the budget committed in EIA, NWEDC shall throughout the term support local community development efforts of affected communities through benefit sharing activities aimed at improving livelihoods of the affected communities

through livelihood enhancements and support to construction and maintenance of physical infrastructures such as roads, trails, pedestrian bridges, water supply and sanitation schemes, communication infrastructures, community infrastructure development, such as schools, health posts, community centers, women's centers, small enterprise development funds etc. These initiatives should be developed in coordination with local governments to avoid duplication of interventions/support and ensure sustainability of efforts.

In addition, there are certain community development initiatives which have been included as part of the commitments in the EIA for the project. The same shall be incorporated into the community development plan thus formulated. The EIA commitments of relevance are: (i) local people will be prioritized for employment in project construction works; (ii) local people (specifically women) will be encouraged in agricultural practice through agricultural enhancement programme; (iii) the project will assist the school of the Haku VDC to provide education to the children of project staff and workers; (iv) the project will assist the local health institutions; (v) ethnic group 'Tamang' of the project area will be supported to preserve their, tradition, culture, identity as well as their traditional occupation; (vi) *Dalit* group will be prioritized in project works as per their skills and capacities with certain percentage reservation for *Dalit*; (vii) local people will be provided training on business and trade; (viii) local people will be prioritized in training in project related works; and (ix) project affected VDCs will be supported for rural electrification.

## CHAPTER 5: LBSP BENEFICIARIES

### 5.1 Project area

Three erstwhile VDCs, namely, Haku, Ramche and Dhunche form the project area for UT-1 HEP. However, the wards in which various project components are located is as under:

**Table 15: Project area for LBSP beneficiaries**

Impacted village	Old administrative structure	New administrative structure
Haku Besi	Haku—3	Parvati Kunda Gaonpalika—1 and 2
Gogone and Tiru	Haku—8 and 9	Uttargaya Gaonpalika—1
Mailung	Dandagaon—9	Uttargaya Gaonpalika—1
Thanku	Haku—5	Parvati Kunda Gaonpalika—1 and 2
Phulbari	Haku—3	Parvati Kunda Gaonpalika—1 and 2
Indirectly affected villages	Ramche	Kalika Gaonpalika—1
Indirectly affected villages	Dhunche	Gosainkunda Gaonpalika—6

### 5.2 Beneficiaries of the Local Benefit Sharing Plan Implementation

The beneficiaries of the implementation of Local Benefit Sharing Plan will be the local residents of three erstwhile VDCs (Haku, Ramche and Dhunche) of Rasuwa district.

### 5.3 Beneficiaries of Employment and Skills Training

The utilization of qualified, available local skills and labor to the extent possible, for the execution of the project pursuant to the Labour Laws of Nepal, subject to the quality, quantity and availability requirements of NWEDC will be done. Therefore, the beneficiaries of employment and skill training will be Nepali nationals with special emphasis given to the local residents of the project area in Rasuwa district. The detailed description of beneficiaries is beyond the scope of this plan. However, the same is elaborated in the Nepal Employment and Skills Training Plan prepared by NWEDC.

### 5.4 Beneficiaries of royalty

According to the Local Self-Governance Rules (2050 BS) provisions, 12% of the royalty from a hydropower project will be allocated to the district(s) in which the project is located. However, 38% is allocated to the development region in which the project is located and the remaining 50% goes to the central government treasury. Therefore, the beneficiaries of the royalty payment by NWEDC would be:

**Table 16: Royalty allocation**

Royalty allocation	Beneficiaries
50% to GoN	Nation
38% to Development Region	Residents of the districts in the region
12% to Rasuwa	Residents of Rasuwa district

However, with the restructuring of the government in the federal system, it is not yet clear how the royalties will be apportioned.

### **5.5 Beneficiaries of rural electrification**

The targeted beneficiaries of rural electrification is 350 project area households, which is subject to verification through joint consultation with DoED and NWEDC before financial closure. The beneficiaries of the 700m transmission line that the company constructs and hand over to GoN or its designated entity after the final COD and free 20 kWh/household/month free electricity will be "local affected households". Free electricity is provided only to the impacted households located within 500m radius from weir/access road in the project area.

### **5.6 Beneficiaries of local shares**

The beneficiaries of local shares will be the residents of Rasuwa district.

## CHAPTER 6: IMPELEMENTATION ARRANGEMENTS

### 6.1 Institutional Mechanism

Overall, the institutional structure of LBSP will be implemented through the following two types of committees:

- i. Benefit Sharing Committee (BSC); and
- ii. Implementation and Monitoring Committee (IMC)

#### 6.1.1 Benefit Sharing Committee (BSC)

The BSC, with representation from local administration, project and local communities will be responsible for the overall management of benefit sharing activities. The IMC will primarily monitor the implementation of individual projects under LBSP. The IMC (subject to the formation of thematic sub-committees) will be responsible to and report to the BSC. IMC will also ensure that all projects and activities under UT-1 LBSP will be incorporated into the annual plans of the respective rural municipalities.

NWEDC shall establish a designated unit, which will serve as the BSC secretariat. The unit will support BSC and IMC in preparation, implementation, management, monitoring and evaluation of all benefit sharing activities. The unit will implement all local benefit sharing activities through relevant legally established user's group/CBOs/local institutions. This institutional structure may be modified as deemed necessary. The composition of BSC shall be as under:

**Table 17: Composition of Benefit Sharing Committee (BSC)**

Local Development Officer of Rasuwa (or an equivalent government officer in the new federal structure)	Chair
DoED representative	Member
NWEDC CEO or his representative	Member
Local community representative	Member
Project Head, NWEDC	Member-Secretary

The BSC will be functional until the end of the project license/concession period. The main functions of the BSC will be:

- Approval of the overall and annual Benefit Sharing Plans (BSPs);
- Overall management of the implementation of the BSPs;
- Ensuring effective coordination with all implementation partners; and
- Monitoring of routine activities.

The BSC will meet at least once every three months, and more frequently, if required. The organizational logistics of the BSC meetings will be arranged by NWEDC.

#### 6.1.2 Implementation and Monitoring Committees (IMC)

The Implementation and Monitoring Committee (IMC) shall comprise of several sub-committees (such as community development, rural road, health and education sub-committees) which is responsible for the implementation, monitoring and evaluation of activities under each scheme of LBSP. An IMC for an individual scheme under LBSP will have five members, viz.,

- NWEDC CEO or his representative;

- Official of the respective local level government line agency;
- NWEDC field project representative;
- An elected representative of the ward in which the project is located; and
- Representative from among the beneficiaries.

The composition of IMCs for various components of LBSP will be as follows:

**Table 18: Composition of Implementation and Monitoring Committee (IMC)**

Sub-sector	Chairperson	Member (respective local level government official)	Member (NWEDC project representative)	Member (elected representative from project location)	Member Secretary (Representative of beneficiaries)
Access enhancement	CEO, NWEDC or his representative	District Technical Officer (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of the scheme users group
Water supply	CEO, NWEDC or his representative	District Technical Officer (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Chairperson of the scheme users group
Education	CEO, NWEDC or his representative	District Education Officer (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Chairperson of the School Management Committee
Health and sanitation	CEO, NWEDC or his representative	District Public Health Officer (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of the concerned health centre
Community infrastructure	CEO, NWEDC or his representative	District Technical Officer (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of the scheme users group
Community organizations	CEO, NWEDC or his representative	District Cooperative Officer/CDO representative, as relevant (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of organization
Community events	CEO, NWEDC or his representative	CDO representative (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of the organizing committee
Agriculture	CEO, NWEDC or his representative	District Agricultural Officer (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of the scheme users group
Cottage and small scale industry	CEO, NWEDC or his representative	District Cottage and Small Industry	Relevant NWEDC project representative	Concerned Ward Head	Head of the concerned industry/firm

		Officer (or equivalent)			
Environment	CEO, NWEDC or his representative	District Forest/Soil Conservation Officer, as relevant (or equivalent)	Relevant NWEDC project representative	Concerned Ward Head	Head of the scheme users group

Major functions of IMCs will be:

- Review and approve related individual scheme/request for support application;
- Monitor progress of the supported activities against the approved plans and budget;
- Disburse payments as per approved schedule;
- Solve problems that may arise regarding implementation of the support;
- Ensure timely completion of supported work (as applicable) within the approved budget;
- Carry out any other related tasks to ensure the success and sustainability of the provided support.

It could be planned that all the IMCs will meet on the same day at the same venue. This will enable members who are in more than one IMC to take part in the meetings at the same place and time frame. The IMCs will meet at least three times during the relevant scheme/support duration, and more frequently, if required. The organizational logistics of the IMC meetings will be arranged by NWEDC.

## 6.2 Work flow mechanism

The first task will be the formation of the BSC. UT-1 HEP will establish a unit to serve as the BSC secretariat. The unit will then present the annual LBSP for approval by BSC. This plan will delineate the broad framework for the benefit sharing activities (including scope, implementation modalities, monitoring mechanism, fund flow process etc.) and set out the budget limits for the concerned year. These limits will be determined by the stipulations of the PDA, fund commitments in the EIA and other commitments made by the project.

The BSC secretariat, under direction and guidance of the BSC, will work closely with the IMCs to identify and select the specific LBS support activities to be implemented. The BSC will delegate IMCs the responsibility of individual schemes/activities implementation and monitoring. The IMCs will ensure, through the elected official in the committee, that all such schemes/activities are included in the relevant plans of the respective rural municipalities. The work flow mechanism may be modified as needed through the unanimous decision of the BSC.



## CHAPTER 7: COMMUNICATING, MONITORING AND REPORTING PROCEDURES

In supporting the local development process within the project area through direct investments (including local shares, royalty sharing, supply of rural electrification) and benefitting project affected families, the following standard procedures have been suggested:

### 7.1 Communications and engagement plan

An essential component of the implementation of the benefit sharing plan is communication and engagement with local community and other external stakeholders. The strategy will specifically explain the key needs and sensitivities, viz. communities, government and other stakeholders who will be associated or linked to the implementation of the plan. Although this will be in line with the overall stakeholder engagement activities of LALRP/ESIA, it will describe how to position LBS actions and address aspirations of larger audience (3 VDCs and beyond).

In addition, all communications of the local benefit sharing schemes will be channelized through (i) newsletters and (ii) community engagement and disclosures.

#### 7.1.1 Newsletters

NWEDC shall produce and distribute an 8-pager quarterly newsletter (in Nepali language) in major centers of the project area for public information.

#### 7.1.2 Community engagement and disclosures

NWEDC shall also designate an LBSP Officer to provide information about Local Benefits Sharing Plan and its progress. Community engagement and disclosure sessions will be held quarterly for public participation and communication.

### 7.2 Grievance redressal mechanism

The LBSP guidance note in the PDA states that the Company shall set up a grievance mechanism to resolve grievances at the community level. Grievance mechanism will serve to channel grievances between NWEDC and local communities through an acceptable, institutionalized mechanism. It will also strive to function as an "early warning system" for any serious conflicts that may potentially arise later. The issues to be addressed by grievance mechanism will only be limited to matters related to local benefit sharing. The mechanism will address only matters related to UT-1 HEP limited to the project area.

In order to avoid overlaps and duplication, NWEDC will mobilize the strength of RAP's already envisaged GRC office set up in each VDC. A GRM Committee will be formed under implementation of this plan and will be responsible to record and resolve grievance/s submitted by the project affected communities. A grievance can be defined as an actual or perceived problem that might give grounds for complaint pertaining to training. Any comments or concerns can be brought to the notice of NWEDC in writing and submitted accordingly in NWEDC Office. Grievance information will be recorded in a grievance log. This information will include stakeholder name and contact details; details of the nature of grievance; date received, responded to and closed out.

The primary role of the committee is to respond and resolve grievances and recommend appropriate action related to the local benefit sharing plan. NWEDC shall designate and form a GRM Committee involving three members, as follows:

1. Head/representative of the respective Rural Municipality – Member;
2. Representative of District Coordination Committee – Member; and
3. NWEDC representative – Member Secretary

The grievance redressal mechanism will comprise of four steps as under:

1. **Submission:** Any local stakeholder can submit a grievance related to the local benefit sharing of UT-1 HEP limited to the project area as described above. The grievance can be submitted through the following medium:
  - a. Dropping of a grievance note into the Grievance Submission Box placed by NWEDC in the three places as mutually agreed between DoED and NWEDC;
  - b. Letter addressed to the NWEDC office;
  - c. E-mail to an email addressed to be specially set up for this purpose and widely publicized; and
  - d. From the website to be developed by NWEDC.
2. **Assessment:** Once the grievance is received, it will be registered and then researched, screened, and assessed by the designated NWEDC official. There will also be a provision to appoint independent assessment team(s) for more serious grievances.
3. **Resolution:** Based on the assessment, the grievance can be addressed in the following manner (Table 19):

**Table 19: Grievance and resolution approach**

<b>Type of grievance</b>	<b>Resolution approach</b>
Simple complaint	<ul style="list-style-type: none"> <li>• Acknowledgement and apology letter (if relevant)</li> <li>• Propose a solution if that can be done</li> </ul>
Conflict between local community and NWEDC related to perception	<ul style="list-style-type: none"> <li>• Conflict resolution through mutual discussion and dialogue</li> </ul>
Conflict between local community and NWEDC related to facts or data	<ul style="list-style-type: none"> <li>• Conflict resolution through external party that carries out an independent assessment to verify the fact or data.</li> </ul>

4. **Monitoring:** Resolution of all grievances will be monitored for compliance for at least six months for simple cases and one year for more complex cases.

### 7.3 Disclosure of the Plan

NWEDC will ensure that the project affected communities are well informed about the Local Benefit Sharing Plan before its implementation. Hence, in order to inform local communities about the plan, DoED and NWEDC will jointly organize a consultative meeting within the project area of influence to communicate the proposed activities outlined in the plan. The plan will be disclosed to the locals of the project affected area at a designated location and date, which will be finalized in consultation with DoED and the date, time and venue of the disclosure will be communicated in the affected area well in advance. The approved copy of the Nepal Benefit Sharing Plan will be made available at NWEDC field office for reference.

This disclosure shall be undertaken to seek consensus from PAFs on the basic contents of the plan. Furthermore, input shall be sought from the community on the process of implementation and the proposed implementation schedule.

## 7.4 Monitoring and reporting

The LBSP will serve as a macro plan that will be constantly reviewed and updated annually throughout the project lifecycle. Micro plans will be developed, that will comply with major principles identified, and are ready for implementation during the project activities. As part of the detailed plan, a monitoring and review mechanism will be put in place, which will include the following:

- Schedule with milestones and tracking of delays;
- Provision for internal and external monitoring;
- Frequency of monitoring and review;
- Key progress indicators for internal and external monitoring;
- Process of reviewing and updating LBSP based on the findings of monitoring reports;
- Responsibilities of NWEDC, implementing partners and any third-party involvement for monitoring purposes;
- Overlaps and integration with project and other reporting timelines (LALRP, etc.); and
- Systems and institutional linkages for feedback and mid-course correction.

As per section 4.1 of the PDA, GoN can delegate management and administration of the PDA to a Project Monitoring Unit (PMU) established by GoN. The PMU, already established by DoED, shall act for and on behalf of GoN to monitor the effective implementation of the PDA. The activities and impacts of the LBSP will also be monitored and evaluated by the PMU. Monitoring will be carried out based on the following set of indicators:

**Table 20: Indicators of monitoring mechanism**

Indicators	Reporting period		Cumulative	
	Planned	Achieved	Planned	Achieved
No. of schemes/activities supported				
Total budget for the above activities				
No. of households benefitted				
Others				

NWEDC shall submit a monitoring report, every six months up to the final COD and every 12 months thereafter to DoED describing in detail the activities undertaken under the Plan, the amounts spent on such activities and impact evaluation of such activities, where relevant, based on the indicators above. The activities undertaken, observations made and mitigation measures implemented, if any, will be reported to DoED on an annual basis by the project team.

Immediately after the final COD (Commercial Operation Date), DoED and NWEDC will jointly arrange to carry out an evaluation report detailing the outputs, outcomes and impacts of the activities undertaken under this LBSP thus far. Findings and recommendations of this report will be used to improve planned activities under various schemes. However, each individual scheme/support activity under the LBSP will be monitored by respective IMCs as described in Chapter 6 above.

## CHAPTER 8: FINANCIAL PLAN AND IMPLEMENTATION SCHEDULE

### 8.1 Financial plan

NWEDC will be the overall implementing agency for the execution of the Local Benefit Sharing Plan. The plan will be implemented immediately after its approval from DoED. NWEDC will review the progress of plan implementation on a quarterly basis. It will prepare an annual report on LBSP implementation, which shall be submitted to DoED.

The total budget for the implementation of the Local Benefit Sharing Plan during the construction phase of the project is NPR 4,17,50,000 (*NPR four crore seventeen lakh fifty thousand only*), which will be utilized from the budget earmarked under the Environmental Enhancement Programme of EIA for benefit sharing. The total budget earmarked under the socio-economic and cultural environment heading of the EIA report is NPR 25 crore. The budget for implementing LBSP during construction stage will be allocated to various components as given in Table 21.

**Table 21: Estimated budget allocation for LBSP implementation**

Components	Description of activities	Budget (NPR)
Access enhancement	<ul style="list-style-type: none"> <li>Trails and associated infrastructure</li> <li>Foot bridges</li> </ul>	50,00,000
Water supply	<ul style="list-style-type: none"> <li>Community drinking water supply</li> <li>Institutional water supply (health centers and schools)</li> <li>Community small scale Irrigation</li> </ul>	77,50,000
Education	<ul style="list-style-type: none"> <li>Schools</li> </ul>	50,00,000
Health and sanitation	<ul style="list-style-type: none"> <li>Health posts/centers</li> <li>Sanitation improvement</li> </ul>	50,00,000
Community infrastructure, local organizations support & events	<ul style="list-style-type: none"> <li>Community Centers</li> <li>Support to cultural, heritage and religious sites</li> <li>Support for local organizations</li> <li>Community sporting and cultural events</li> </ul>	75,00,000
Livelihood	<ul style="list-style-type: none"> <li>Agriculture</li> <li>Cottage industries</li> <li>Tourism industries</li> </ul>	50,00,000
Rural electrification	<ul style="list-style-type: none"> <li>Support for rural electrification extension</li> </ul>	40,00,000
Share allocation	<ul style="list-style-type: none"> <li>Support for allocation of share</li> </ul>	10,00,000
Contingency	<ul style="list-style-type: none"> <li>Meeting Cost, Logistics, other Administrative Cost and Miscellaneous</li> </ul>	15,00,000
<b>Total (<i>NPR four crore seventeen lakh fifty thousand only</i>)</b>		<b>41,750,000</b>

## 8.2 Implementation schedule

NWEDC will ensure the timely implementation of the Local Benefit Sharing Plan. The tentative implementation schedule is given in Table 22 below:

**Table 22: Five-year implementation schedule of Local Benefit Sharing Plan**

SN	Activities	Year 1	Year 2	Year 3	Year 4	Year 5
1.	Organize LBSP disclosure in project area					
2.	Establish Benefit Sharing and Implementation and Monitoring Committees					
3.	Establish GRM committee					
4.	Develop communication plan and engagement plan					
5.	Coordinate with DCC and <i>Gaonpalika</i> for activity integration and alignment					
6.	Identify micro projects jointly with <i>Gaonpalikas</i>					
7.	Initiate community development activities					
8.	Initiate royalty sharing mechanism and local shares					
9.	Support access enhancement					
10.	Support to water supply, health and education needs of PAF and local communities					
11.	Provide support to community infrastructure, local organizations support & events					
12.	Support livelihood improvement activities linked to skill training and other plans					
13.	Initiate discussions on equity shares and rural electrification					
14.	Produce and disseminate LBSP activities through quarterly newsletters					
15.	Carry out regular monitoring and evaluation					
16.	Conduct mid-term evaluation					

The year-wise breakdown of funds for local benefit sharing plan will be about 0.5% of the annual budget for the project during construction phase. The total annual budget for local benefit sharing will then be allocated to different components of the plan in the afore-mentioned table, as per the prioritized activities of the area.

Distribution of benefits, especially royalties, from hydropower development, is currently structured at the sub-national scale based on the five development regions and 75 districts in Nepal. With the promulgation of the Constitution of Nepal (2015), Nepal is officially divided into seven provinces resulting in the recombination of districts into new administrative zones as per a federalist three-tier model of governance. It is still unclear how benefits will be shared under the new federal structure and clear policies on this are urgently needed.

However, according to the Local Self-Governance Act and Regulation, the annual royalty to the Western Development Region is 38% and for Rasuwa district is 12%. However, the change of these allocations in the new federal structure is not yet known.

**Table 23: Royalty implication**

Description	For the period commencing on the first interim COD and ending on the 15 <sup>th</sup> anniversary of the final COD		For the period commencing on the day falling immediately after the 15 <sup>th</sup> anniversary of the final COD and ending on the last day of the Term	
	Capacity Royalty rate per KW per annum	Energy royalty rate	Capacity Royalty rate per KW per annum	Energy Royalty rate
Annual Royalty Amount	NPR 200	2% of the energy receipt	NPR 1500	10% of the energy receipts

### 8.3 Rural electrification

For the provision of free electricity, NWEDC will supply to the GoN-designated entity free electricity to be supplied to 350 project affected households located within 500m radius at the rate of 20 kWh per affected household per month for 30 years. NWEDC will have no additional obligation with respect to supply of free electricity beyond its obligations described in the PDA. The tentative financial implication for free electricity is about NPR 2.26 crore (considering unit rate of electricity as NPR 9).

### 8.4 Local shares

Unlike others, the local share investment is different from other benefits as its benefits directly go to individuals with minimum government interventions. In addition to royalty sharing, the project shall make available shares (the amount to be finalized jointly with DoED and NWEDC) to the local community. These shares shall be available for purchase by any member within the local community at a subsidized rate. These shares will be provided to the project affected people in two tranches as follows:

- *First tranche:* Within one year of final COD, 50% of the agreed share will be provided at face value without applying any premium; and
- *Second tranche:* After completion of the first year and before the completion of the second year from final COD, the remaining 50% share will be provided at "fair market value" provided that the valuation of the latter 50% share does not exceed the committed amount.

### ANNEX 1: List of stakeholders consulted

SN	Name	Position	Contact Number
1.	Chomendra Neupane	Chief District Officer	9851277777 010-540133
2.	Smita Poudel	Assistant Chief District Officer	010-540131
3.	Rajendra Dev Pandey	Local Development Officer	010540142 9854030723
4.	Resham Lal Kandel	Planning Officer, District Coordination Committee, Dhunche	9841556671
5.	Chaitanya Prasad Niraula	District Education Officer	9741130373
6.	Krishna Raj Tiwari	District Public Health Officer	010540188
7.	Yubraj Regmi	Chief Warden, Langtang National Park	010540219
8.	Harish Chandra Sapkota	District Forest Officer	010540107
9.	Ram Awatar Mahato	District Livestock Services Office	010540129
10.	Dr. Bibek Kumar Lal	District Health Officer	010540188 9851172572
11.	Sohan Mahaseth	Divisional Engineer	9852024912
	Anju Dhungana	Women Development Officer	010540263
12.	Mingmar Tamang	District Soil Conservation Officer	010540115 9844247091
13.	Rabi Mohan Koirala	Drinking Water Division Officer	010540179 9846035809
14.	Tilak Bahadur Khatri	District Water-induced Disaster Division Officer	010560909 9741000173
15.	Madan Mohan Shrestha	District Technical Officer, Dhunche	9841379501
16.	Chemali Gurung	Uttargaya <i>Gaonpalika</i>	9851229933
17.	Bhawani Prasad Neupane	Kalika <i>Gaonpalika</i>	98416322793
18.	Buchung Tamang	Parbatikunda <i>Gaonpalika</i>	9849045336
19.	Kaisang Nurpu Tamang	Gosaikunda <i>Gaonpalika</i>	9841700755
20.	Sobit Bahadur Chhetri	Nepal Electricity Authority	010540176 9857631583
21.	Toyenath Rijal	Nepal Telecom	010540111 9751097777
22.	Babulal Tamang	Nepal Red Cross Society	9741187040
23.	Kaisang Nurpu Tamang	President, FNCCI, Rasuwa	9851111829
24.	Bishnu Acharya	NGO Federation, Rasuwa	9741186585
25.	Saroj Adhikari	Langtang Area Conservation Concern Society (LACCOS)	010540210
26.	Temba Gyaltzen Tamang	Local Peace Committee	9741086380



## ANNEX 2: Schedule 11: Local Benefit Sharing Plan Guidance Note

"Benefit Sharing" is the systematic effort of the Company, as well as GoN and GoN nominated agencies to equitably share benefits of Project with affected communities through benefit sharing mechanisms beyond mandatory mitigation and compensation measures, including but not limited to the enhancement measures detailed in the Environmental Impact Assessment (EIA), Initial Environmental Examination (IEE) and Supplementary E&S Documents during construction phase, and continued community development activities that benefit the affected communities throughout the concession term.

"Local Benefit Sharing Plan" refers to the plan through which the company agrees to benefit sharing through local community development activities reflected in the EIA, IEE and supplementary E&S Documents, and that which the Company as a good corporate citizen shall continue throughout the concession period by channelling some of the benefits generated by the operation of the Project to the affected communities beyond mitigation and compensation measures.

Some of the benefit sharing mechanisms already agreed between the Company and GoN are:

- *Royalties*: Following COD, the Company shall pay Capacity and Energy Royalty to GoN, of which, in accordance with the Local Self Governance Rules 2050, the project affected districts are entitled to receive 12%, while the affected region shall receive 38% and the Central Government shall receive 50%.
- *Local Shares*: Local Shares have to be provided as per Section 10.17 of this Agreement.
- *Rural electrification and energy to local households*: Rural electrification in the affected VDCs shall be as per Section 11.9 of this Agreement.
- *Employment Benefits and Industrial*: With an objective to encourage full, free and fair access to Nepali individuals and firms to opportunities in employment and supply of quality goods and services, the Company and GoN shall work together to jointly develop these plans in accordance with the guidance notes in **Error! Reference source not found.2** and **Error! Reference source not found.3**.

### Local Benefits Sharing Plan

Local Community Development is the systematic effort by the Company, as a part of benefit sharing, to support community development in the project area beyond obligatory mitigation and compensation measures in accordance with the enhancement measures detailed in the EIA, IEE and Supplementary E&S Documents during the phase of project construction.

In addition to the budget committed in the EIA, IEE and Supplementary E&S Documents, post-COD, and throughout the concession term, the Company, as a good corporate citizen shall support community development of affected communities through benefit sharing activities.

Local community development activities aim to improve the standard of living of the affected communities through livelihood enhancements and support to physical infrastructure such as roads, trails, pedestrian bridges in each case construction and maintenance, water supply construction and management, communications: mobile phone towers, internet, community infrastructure development, such as schools, health posts, community centers, women's centers, small enterprise development funds etc. These initiatives should be developed in coordination



with local governments to avoid duplication of interventions/support and ensure sustainability of efforts.

Local Benefit Sharing Plan shall also include a component detailing local community development activities (as committed in the GoN approved EIA, IEE and Supplementary E&S Documents), that includes a detailed breakdown of specific activities, timeline, budget and implementation modalities. This does not preclude the Company from committing additional resources for the above and other benefit sharing activities.

The Company and GoN shall jointly prepare the Local Benefit Sharing Plan to be implemented during the construction phase within twelve (12) months from the date of this Agreement in accordance with this Schedule.

The Local Benefit Sharing Plan for the operation phase shall be developed by the Company based on the needs of the communities and the procedures of this Schedule.

### **Key steps to guide the design of the Local Benefit Sharing Plan**

- updated information;
- clear objectives;
- carefully defined target population;
- responsible agencies, as well as implementation arrangements; and
- implementation activities along with an itemised budget.

### **Updating of Baseline Information**

The baseline data reflected in the EIA/IEE/Supplementary E&S Reports should guide the Local Community Development Plan. The baseline information should include:

#### **Socio-economic indicators**

Socio-economic status, education level, poverty level, level of public services in the project communities; and social differentiation within communities to identify, indigenous people, vulnerable groups, minority ethnic groups, classes, castes, religious groups and the role of women, for which special provision may have to be made;

#### **Institutional capacity at the local level**

Key social institutions and customary systems for decision making, local governance structure, characteristics of social organisation and internal community relations, local institutions (including local government, and conflict resolution mechanisms); Assessment of the adequacy of institutional arrangements and capacity at the local level is critical for the design and implementation of any benefit sharing programme.

#### **Natural resource management and land use**

Mapping use of common resources, and reliance of vulnerable communities on use of natural resources.

#### **Engagement and consultation**

The project communities and local governmental organisations have to be consulted during the design of all Plans, as part of the broader stakeholder engagement.

Engagement and consultation are necessary to ensure that the Plans are tailored to the needs of the local people. The Plans should be informed by stakeholder consultation and should take into account local capacity and affected communities' needs.

The Company shall have to develop an overall advocacy and communications strategy with government and local communities.

### **Full disclosure**

As part of the Company's obligations regarding Disclosure of Information and Consultation, the Company shall disclose all Plans in Nepali and English.

### **Grievance mechanism**

The Company shall set up a grievance mechanism to resolve grievances at the community level.

### **Monitoring and reporting**

The Company shall submit reports, every six months up to Final COD and every 12 months thereafter, to the GoN describing in detail the activities undertaken under the Plan, the amount spent on such activities and impact evaluation of such activities, where relevant.

### ANNEX 3: Bibliography

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