

EXECUTIVE SUMMARY**ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF) for
POWER SECTOR REFORM AND SUSTAINABLE HYDROPOWER DEVELOPMENT PROJECT
(PSRSHDP)****January 2015****A. Background**

The proposed Nepal Power Sector Reform and Sustainable Hydropower Development Project (PSRSHDP), the Project, intends to offer a holistic and coherent set of technical and analytical studies capacity-building activities and policy dialog on the energy sector in Nepal, and preparation of next-step critical hydropower and transmission line projects to prepare Nepal for upcoming large-scale private and public investments in hydropower. The project is an advisory support that will not finance any civil works or physical implementation, under any circumstances. This Environmental and Social Management Framework (ESMF) lays out the specific requirements, processes, and responsibilities for ensuring that the activities of the Project are carried out in a manner that complies with World Bank safeguard policies and Nepal's environmental and social laws and regulations and to enhance the Project's positive impact on enhancing the environmental and social sustainability of power sector investments in Nepal.

This executive summary explains the main aspects of environmental and social management of the proposed Project. More detail is available in the full ESMF, including its detailed annexes. The Full ESMF is available for download at

NEA: <http://www.nea.org.np/publications.html>

WECS: <http://www.wecs.gov.np/reports-publications.php>

DOED: <http://doed.gov.np/download.php>

B. Brief Project Description

The project development objectives are to (a) strengthen the capacity of the power sector agencies to plan and prepare hydropower and transmission line projects following international standards and best practices; and (b) improve the readiness of the power sector agencies for regulatory and institutional reforms. The proposed Project has three components: (i) Preparation of Hydropower and Transmission Line Investment Projects; (ii) Studies for Policy Recommendations and Sector Reform; and (iii) Capacity Building for Safeguard Management and Hydropower Development. More information is provided below on the components:

- **Component A: Preparation of Hydropower and Transmission Line Investment Projects** (IDA Credit \$18 million).
- **Component B: Studies for Policy Recommendations and Sector Reform** (SAWI Grant US\$2.1 million, NEA Counterpart Fund US\$ 0.25 and IDA Credit US\$3.25 million).
- **Component C: Capacity Building for Safeguard Management and Hydropower Development** (SAWI Grant US\$0.4 million).

C. Environmental and Social Compliance Requirements

The future infrastructure investments which are the focus of studies under Component A, as well as development of policy reforms and preparation of integrated basin plans may have significant environmental and social impacts and/or consequences (positive or negative). Therefore, environmental and social impact assessments and mitigation plans will be conducted to fully assess and identify necessary mitigation measures for negative impacts, as well as measures to enhance positive effects. The assessments will be done in compliance with and subjected to Nepal's own environmental social requirements, laws, regulations and approval processes, and the international conventions Nepal is a party to and has ratified. Furthermore, as this Project is proposed to be financed by the World Bank, the Project is required to meet the requirements of relevant World Bank environmental and social safeguard policies. The Project is assigned an Environmental Assessment Category "A" as per World Bank Operational Policy (OP) 4.01. Compliance with World Bank policies will include ensuring in-depth environmental and social impact assessment and management planning as well as consultations with all stakeholders for preparation of detailed engineering design and ESIA of the hydropower and transmission line investments proposed under Component A. World Bank standards also require stakeholder consultations and involvement more broadly with regard to the basin planning and policy reform studies and activities proposed under Components B and C.

D. Environmental and Social Issues of the identified investment projects to be prepared under Component A

Under Component A, the GoN has proposed the Upper Arun (335 MW) Hydroelectric Project (UAHEP) and the Ikhuwa Khola (30 MW) Hydropower Project (IKHP), for preparation studies. The UAHEP is proposed to be located on the Arun River in Sankhuasabha District of eastern Nepal, while the IKHP site is located on a tributary to the Arun River approximately 8 km downstream of the proposed UAHEP powerhouse site. (See Annex A for a map showing the proposed locations of each project.) The IKHP would be prepared under this Project in tandem with the UAHEP to provide a source of benefit sharing and also power supply to local communities.

The GoN will also identify an additional priority transmission line project, which has not yet been identified, for preparation under this Project during the implementation stage of the proposed Project.

E. List and Scope of Studies and Safeguard Instruments to be Prepared during Implementation of the Proposed Project.

E.1 During the preparation studies the following safeguard documents will be prepared for preparation of the Upper Arun (UAHEP) and Ikhuwa Khola (IKHP) Hydropower Projects:

- Environmental and Social Impact Assessment (ESIA) for both UAHEP and IKHP
- Environmental and Social Management Plan (ESMP) for UAHEP
- Environmental and Social Management Plan (ESMP) for IKHP
- Cumulative Impact Assessment (CIA) of the Arun River Watershed
- Resettlement Policy Framework (RPF)
- Resettlement Action Plan (RAPs)
- Vulnerable and Indigenous Peoples Development Plan
- Downstream Impacts Management Plan
- Gender Assessment and Action Plan
- Benefit-sharing Action Plan
- Public Health Assessment and Action Plan
- Public Participation and Consultation Plan

- Communication Strategy and Action Plan.
- One Executive Summary of these documents, in English and Nepali
- Dam Safety Plans

E2. Safeguards Approach for the yet to be identified additional Transmission project to be prepared through the proposed Project

During implementation of the proposed Project, the GoN may seek the World Bank's concurrence for the Project to finance the required preparation studies and documentation for a new transmission line. Once the target transmission line investment is identified, the NEA and the World Bank will screen the proposed Project to determine the applicable Banks safeguards policies as well as national laws and regulations, and to develop detailed Terms of Reference for the corresponding required environmental and social studies in accordance with applicable GoN legal requirements and World Bank safeguard policies. The impact assessments of the power transmission line will also consider cumulative impacts of other linear infrastructure such as roads and other transmission lines, and contribute to coordination among the linear infrastructure planning and development so as to optimize land-uses, avoid/minimize adverse impacts such as resettlement footprints, deforestation, landslides/soil erosion and reduce Right of Way (RoW) expenditures.

E.3 Studies to be prepared for other aspects of the proposed project, covered under Components B and C.

Under Component B, a number of studies will be financed, which include inter alia, basin-wide approach for water resource and hydropower development planning for several major basins in Nepal. This will involve developing an integrated database of basin-level information and carrying out integrated basin wide planning processes. Smart meters at consumers' premises will also be piloted under this component. The installation of smart meters is expected to enhance the efficiency and distribution business management. Some existing consumers will receive new smart energy meters as and when their existing meters are damaged/ become non-functional. Smart energy meters will also be installed in some new consumers while giving new connections. In the case of the existing consumers, NEA will collect the old meters and store them. The damaged meters have good scrap value, and hence NEA auction them from time to time. The damaged meters will not be left littered or will not be disposed of haphazardly. These will not contain haphazard chemicals.

Component C will meanwhile focus on Strategic Environmental and Social Assessment (SESA) under river basin planning to specifically focus on the social and environmental aspects and considerations in planning for water resource use, allocation and sustainable management at a basin scale. This component will further support improving the environmental and social safeguard management systems and associated capacity building of key agencies in GoN responsible for power development, especially hydropower. The studies and activities will include policy development, and capacity building for cumulative/strategic impact assessment, ecological flows, hydropower resettlement and benefit sharing, gender equity, integrating climate change and disaster risk management aspects into hydropower planning, basin planning, and developing of NEA corporate policy for compensation of transmission line ROW. These activities are expected to have significant environmental and social benefits in the context of increasing development of the power and especially hydropower sector in Nepal.

F. Institutional and monitoring arrangements

The technical work will be contracted and overseen by the following specific implementing agencies within GoN - NEA will be responsible for the studies for specific investments under Component A and Component B; WECS will be responsible for the studies under Component B & Component C including integrated basin planning and conducting SESA. The overall Project will be managed by their respective

Project Management Units (PMUs). Component B and C will be further coordinated by a high level central Project Steering Committee, reporting directly to the Energy Secretary.

G. Public consultations and brief description of the Communications Strategy.

Two rounds of public consultations have been conducted for the Project so far. The first round consultation was for UAHEP and IKHP, the consultation event was held on the initial draft TORs for the ESIA and social planning studies on April 30, 2014 as part of preparation of this proposed Project, and the TORs (attached as an annex to the full ESMF) have been updated by NEA to reflect feedback received. Additional consultations will be held on the draft studies.

The second round of public consultation for the ESMF of the Project was organized by NEA, DOED and WECS, on December 23, 2014 to consult with the Project stakeholders outlining the safeguards compliance strategy, requirements and processes across all project components, and including the detailed Terms of Reference (TORs) for environmental and social assessments and studies for the UAHEP and IKHP investments. Similar consultation requirements are expected to apply to the transmission line investment to be identified and studied under this Project. Similarly, updating of environmental and social regulations and procedures for hydropower (an activity under Component C) will include a broad consultation with public sector and civil society stakeholders at the national level, in addition to private sector, so that inputs from diverse stakeholders into updating the policies and regulations are considered.

Furthermore, NEA will establish a project-specific website, where information about the specific investments being prepared under the project (for now covering UAHEP and IKHP) can be accessed. For now, NEA has been publishing the UAHEP and IKHP project related information in its corporate website this website will be accessible via:

NEA: <http://www.nea.org.np/publications.html>

