

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC8988

Date ISDS Prepared/Updated: 13-Oct-2014

Date ISDS Approved/Disclosed: 25-Oct-2014

I. BASIC INFORMATION

A. Basic Project Data

Country:	Nepal	Project ID:	P150066
Project Name:	Nepal: Power Sector Reform and Sustainable Hydropower Development (PSRSHD) (P150066)		
Task Team Leader:	Jie Tang		
Estimated Appraisal Date:	15-Dec-2014	Estimated Board Date:	26-Mar-2015
Managing Unit:	GEEDR	Lending Instrument:	Investment Project Financing
Sector(s):	Hydropower (50%), General energy sector (20%), Other domestic and international trade (15%), Transmission and Distribution of Electricity (10%), General education sector (5%)		
Theme(s):	Infrastructure services for private sector development (50%), Environmental policies and institutions (20%), Corporate governance (20%), Education for the knowledge economy (5%), Gender (5%)		
Financing (In USD Million)			
Total Project Cost:	32.00	Total Bank Financing:	25.00
Financing Gap:	6.00		
Financing Source			Amount
BORROWER/RECIPIENT			1.00
International Development Association (IDA)			25.00
Total			26.00
Environmental Category:	A - Full Assessment		
Is this a Repeater project?	No		

B. Project Objectives

23. The proposed Development Objective is to support the GON in (a) preparing its hydropower and transmission line projects following international best practices and standards; and (b)

identifying key policy recommendations and sector reforms for sustainable water resource management and hydropower development.

C. Project Description

This Project intends to offer a single window for a holistic and coherent set of technical and analytical studies, capacity-building activities and policy dialogue on the energy sector 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 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.

The Bank has been closely coordinating with other donors involved in Nepal to align objectives and approaches and allow a fluid dialogue with the GoN and the implementing agencies. The ADB, DfID, USAID, MCC, JICA, KfW and the Norway have taken part in identifying the activities needed under the Project how the project could build on the Donors' existing activities, such as DfID's support to IBN or ADB's TA on Financial Restructuring. Once the list of activities is finalized with the GON, further donor coordination will determine how to responsibilities will be distributed among donors.

Component A: Preparation of hydropower and transmission line investment projects (\$25 million). This component will support preparation of two to three hydropower projects as proposed by the Government, and one cross-border high voltage transmission line project following recommendations of the Transmission System Master Planning supported under the on-going NIETTP, in line with international standards and World Bank Safeguard Policies. It will include preparation of detailed project design, preparation of bidding documents, and environmental and social impact assessment and mitigation. The GON has officially proposed the Upper Arun (356 MW), Ikhuwa Khola (18 MW) for Bank support of project preparation. Other projects will be confirmed with the Government during the preparation stage.

Component B: Studies for policy recommendations and sector reform, to address critical power sector issues (\$4 million). This component will support studies of key policy instruments and sector reform agendas to address the critical barriers to hydropower development and challenges in power sector development. The major studies may include:

- (a) Tariff reform and system loss reduction to restore sector financial sustainability of NEA (the loss reduction has already been covered under the proposed Grid Solar and Energy Efficiency Project (GSEEP), which is under preparation for IDA financing);
- (b) Restructuring of NEA's generation, transmission and distribution business ;
- (c) Power sector regulation - establishment of an Independent Regulator
- (d) GoN policies for encouraging private investment in hydropower and transmission line (GoN guarantee as needed, open investment in selected transmission line to private sector)
- (e) Power trading strategy and institutional set up (for example, the need of creation of a power trading company)
- (f) Basin-wide approach for water resources management and hydropower development planning, for selected river basin(s);
- (g) Improvement of hydropower licensing from an ad hoc approach to an open, transparent, competitive licensing process based on basin-wide hydropower development planning;
- (h) Transmission Master Planning (under implementation with the on-going NIETTP) and policy for investment in transmission projects;

- (i) Review of existing legal and regulatory framework in the power sector and key recommendations of improvement Distribution System / Rural Electrification Master Planning (grid & off-grid coordination, to guide future investments in energy access, covered under the GSEEP);
 - (j) Review renewable energy potentials, such as solar and micro hydro, and prepare a renewable energy policy to envisage objectives, targets, timeline and policy instruments to enable private investments or private-public partnership to achieve the objectives.
- Key studies and scope of work of this Component will be defined during the project preparation, through further consultations and discussion with GoN, NEA and development partners.

Component C: Capacity Building for Safeguard Management and Hydropower Development (\$2 million). It is critical to improve environmental and social safeguard management system and capacity to facilitate and ensure sustainable hydropower development in Nepal. Key studies and activities may include:

- (a) Adaptation to recommendations of the climate change impact on Nepal water resources and hydropower, which is review through on-going bank-funded TA
- (b) Review and introduction of environmental and social regulations for hydropower following the results of the activities funded under the recently approved Kabeli A Hydroelectric Project (KAHEP)
 - (1) Cumulative impact assessment, including minimum ecological flows,
 - (2) guidelines for hydropower resettlement
 - (3) Strategic environment assessment to support basin-wide approach for hydropower development planning (not covered under the KAHEP)
 - (4) Guidelines on Benefit Sharing
- (c) NEA Corporate policy for compensation of transmission line ROW
- (d) Capacity-building and support to key Government agencies involved in hydropower development
- (e) HR development through education of next generation of engineers and professional for hydropower, with support to universities in i) student exchange programs, ii) faculty exchange programs, iii) hydropower-related curriculum enhancement

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project itself involves no physical works and will consist of technical studies, policy reviews and capacity-building conducted in the offices of the implementing agencies in Kathmandu, Nepal. The specific basins and proposed investments for which integrated water resource management plans and project-specific technical and environmental and social studies will be prepared under component C have yet to be identified with the GON.

E. Borrowers Institutional Capacity for Safeguard Policies

NEA, MOE and MOSTE recently prepared two bank-financed projects (Kali Gandaki A Rehabilitation and KAHEP) and have developed their institutional capacity on environmental and social assessment and management as per Bank Safeguard Policy requirements. The project intends to further develop their understanding of the Policies and their capacity to plan, prepare and implement hydropower projects in accordance with Bank safeguard policies, Environment, Health and Safety (EHS) Guidelines, and other relevant international standards and guidelines. Furthermore, the project will support detailed review and strengthening of the regulatory and legal framework with regards to Safeguards aspects of project planning and implementation, in particular on involuntary resettlement and Cumulative Impact Assessment, in order to prepare the sector for upcoming hydropower investments.

F. Environmental and Social Safeguards Specialists on the Team

Chaohua Zhang (GSURR)

Poonam Pillai (GSURR)

James Orehmie Monday (GENDR)

Drona Raj Ghimire (GENDR)

Leanne Farrell (GENDR)

Parthapriya Ghosh (GSURR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	<p>While the studies and capacity building activities under this TA will not themselves generate any adverse environmental or social impacts, the project aims to prepare two to three specific hydropower projects, transmission lines, and support basin-level planning activities under Component C which aim to enable future infrastructure investments that may have significant potential environmental and social impacts. The TA is therefore considered Category "A" as per OP 4.01. To comply with Bank safeguard requirements, an Environmental and Social Management Framework (ESMF) will be prepared to specify appropriate requirements, processes, and institutional responsibilities for carrying out project-specific ESIA's in accordance with Bank safeguards and national requirements for all proposed specific investments which receive preparatory support through this TA.</p> <p>In addition, strategic planning processes at national or basin levels supported through the project will also incorporate environmental and social factors and stakeholder participation into processes related to prioritization, siting, and design of future energy-sector investments.</p>
Natural Habitats OP/BP 4.04	Yes	The ESMF will specify appropriate requirements for investment-specific ESIA's to ensure that any potential impacts to natural habitats are appropriately assessed and managed in accordance with this policy.
Forests OP/BP 4.36	Yes	The ESMF will specify appropriate requirements for investment-specific ESIA's to ensure that any potential impacts to forests are

		appropriately assessed and managed, and any forestry programs developed as part of basin-level or project-specific environmental management programs are consistent with this policy's requirements.
Pest Management OP 4.09	TBD	This policy is not expected to be triggered by the specific projects receiving preparation support through this TA; nonetheless, the ESMF will specify appropriate requirements for investment-specific ESIA's to ensure that any use of pesticides or herbicides in connection with the future investments (such as for transmission line ROW maintenance, vector control, reforestation programs, etc.) are appropriately assessed and managed in accordance with this policy.
Physical Cultural Resources OP/ BP 4.11	Yes	The ESMF will specify appropriate requirements for investment-specific ESIA's to ensure that any potential impacts to physical cultural resources are appropriately assessed and managed in accordance with this policy.
Indigenous Peoples OP/BP 4.10	Yes	The project ESMF will include an Indigenous Peoples' Planning Framework lay out the requirements for carrying out Indigenous Peoples' Plans for any future investment being prepared with support of this TA which affects indigenous peoples.
Involuntary Resettlement OP/BP 4.12	Yes	The project ESMF will include a Resettlement Policy Framework to lay out the requirements for carrying out investment-specific Resettlement Action Plans in accordance with this policy for any future investments being prepared with support of this TA which result in involuntary displacement of households or livelihood activities due to land acquisition.
Safety of Dams OP/BP 4.37	Yes	The project ESMF will specify measures to ensure compliance with this policy for all hydropower projects being prepared with support of this TA with dam heights over 15m.
Projects on International Waterways OP/BP 7.50	TBD	If any of the specific projects being prepared with support of this TA could lead to impacts on international waterways, the Bank team will ensure notification to riparians' is made in accordance with this policy.
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 30-Nov-2014

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

An Environmental and Social Management Framework (ESMF) will be prepared, consulted with project stakeholders by NEA, and disclosed locally and in the Bank's InfoShop prior to appraisal, outlining the safeguard policy compliance approach and requirements for the project.

The specific safeguard studies themselves for proposed investments being prepared with support from the TA are part of the project outcomes, and will be conducted during implementation of the TA.

IV. APPROVALS

Task Team Leader:	Name: Jie Tang	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Francis V. Fragano (RSA)	Date: 16-Oct-2014
Practice Manager/ Manager:	Name: Julia Bucknall (PMGR)	Date: 24-Oct-2014

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.