

Private Sector Hydropower Development Project – 2 (PSHDP-2)

USAID-GON SO4 - Increased Private Sector Participation in Environmentally and
Socially Sustainable Hydropower Development

SIX MONTHLY REPORT #3

January 1, 2003 through June 30, 2003

Prepared for:

USAID Mission to Nepal

Contract No. 367-C-00-02-00011-00

International Resources Group, Ltd.

DOED Building, Anam Nagar
Kathmandu, Nepal

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USAID-GON SO4 - Increased Private Sector Participation in Environmentally and Socially Sustainable Hydropower Development

Contractor Information

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Contract No: 367-C-00-02-00011-00

Reporting Period: January 1, 2003 – June 30, 2003

Acronyms and Abbreviations

AA	Administration Agreement
BOOT	Build, Own, Operate, and Transfer (process)
BPC	Butwal Power Company
CLIN	Contract Line Item
CTO	Cognizant Technical Officer
DOED	Department of Electricity Development
EIA	Environmental Impact Assessment
ETFC	Electricity Tariff Fixation Commission
GON	Government of Nepal
HDP	Hydropower Development Policy (2001)
HMGN	His Majesty's Government of Nepal
IPP	Independent Power Producer
IR	Intermediate Result
IRG	International Resources Group, Ltd
MOPE	Ministry of Population and Environment
MOWR	Ministry of Water Resources
NEA	Nepal Electricity Authority
NERC	Nepal Electricity Regulatory Commission
NGO	Non-governmental Organization
NHMS	Nepal Hydropower Management System
NORAD	Norwegian Agency for Development
PDF	Power Development Fund
PDFA	Power Development Fund Administrator
PMP	Project Monitoring Plan
PPA	Power Purchase Agreement
PSHDP	Private Sector Hydropower Development Project
RCO	Regional Contract Officer
RFP	Request for Proposal
SARIE	South Asia Regional Initiative - Energy
SO	Strategic Objective
SOT	Strategic Objective Team
SOW	Scope of Work
SpO	Special Objective
USAID	U. S. Agency for International Development
WB	World Bank
WECS	Water and Energy Commission's Secretariat

SECTION I – Contractor’s Report

I.1. Summary and Highlights of Activities

A. Introduction

International Resources Group Ltd. (IRG) signed the contract with the U.S. Agency for International Development (USAID) on December 12, 2001 for Technical Assistance for Increased Private Sector Participation in Environmentally and Socially Sustainable Hydropower Development in Nepal. Primary objective of the contract is to provide technical assistance and associated training services to the Department of Electricity Development (DOED) of the Ministry of Water Resources (MOWR) and other agencies of the Government of Nepal (GON) to increase private sector participation in hydropower development, in support of USAID’s Strategic Objective 4 (SO4).

The current contract is referred to as Private Sector Hydropower Development Project – 2 (PSHDP-2) to indicate continuation of USAID’s technical assistance program under SO4 and to differentiate from earlier contract referred to as PSHDP.

The scope of work under PSHDP-2 comprises 26 activities to support SO4. A summary of major accomplishments during the reporting period is listed below. Intermediate results expected through PSHDP-2 to support SO4 are: (i) Improved enabling environment for equitable and sustainable hydropower development; and (ii) strengthened environmental and social assessment procedures with broadened stakeholder participation. Section I.2 provides details of the expected results and progress indicators under PSHDP-2. Section I.3 provides functional description of actions undertaken during the reporting period to achieve our goals. In Section I.4 we discuss our progress during the reporting period under each of the 26 contract activities. Project personnel, cost, and performance data is presented in Section I.5. Section II includes USAID Cognizant Technical Officer’s (CTO) report covering the reporting period.

B. Summary of major accomplishments during reporting period

Activity milestones/events accomplished during the reporting period are listed below:

- Prepared, discussed, and obtained approval from the Strategic Objective Team (SOT) for the Second Year Work Plan in January 2003; the plan was prepared in consultation with the relevant GON agencies;
- Submitted the First Annual Progress Report after addressing USAID comments on a draft report;
- Revised and commissioned operation of Nepal Hydropower Management System (NHMS) to monitor our activities; NHMS output for activity progress is included in Section 1.4;
- Completed the first computer training courses for DOED staff; assisted DOED in finalizing their website design through this training;
- Prepared and discussed preliminary organization of a regulatory structure for the power sector to comply with the intent and requirements of Hydropower Development Policy (HDP) 2001; prepared an official English translation of HDP 2001 (Activity 1);
- Initiated a major effort to accelerate preparation of a roadmap for establishment of the Nepal Electricity Regulatory Commission (NERC) (Activity 1);

- Initiated a major effort to accelerate support for institutional restructuring of the power sector agencies (DOED, NEA, MOWR, and ETFC) to address the requirements of HDP 2001 (Activity 1);
- Provided technical support to DOED to facilitate negotiations for the Power Development Fund (PDF) with the World Bank; the project loan was approved by WB in May and signed by the GON on July 11, 2003 (Activity 5);
- Assisted DOED to initiate dialogue with the first-ranked PDF Administrator (PDFA) (Activity 5);
- Assisted DOED in preparing a draft Administrative Agreement for negotiations with the PDFA and prepared a fund-flow procedure for GON staff (Activity 5);
- Provided support to DOED on analysis of loan repayment in different currency mix (Activity 5);
- Designed a database SOW to record and monitor licensing activities, royalty payments, and environmental and engineering O&M activities for hydro projects based on discussions with DOED staff (Activity 6);
- Arranged for four senior GON officials to attend the World Water Forum 3 deliberations in Kyoto, Japan in March 2003 (Activity 6);
- Arranged for two senior DOED engineers to attend POWERISK 2003 conference on IPP risk management in Kuala Lumpur in June 2003 (Activity 6);
- Prepared a draft report on Power Marketing Advice and Support to GON agencies (Activity 7);
- Completed technical review of WB comments on the request for proposal (RFP) for the Build, Own, operate, and Transfer (BOOT) projects (Activity 8);
- Initiated dialogue with large local banks for hydro project financing (Activity 9);
- Coordinated with the Norwegian Agency for Development (NORAD)/Ministry of Population and Environment (MOPE) hydropower technical assistance program and conducted a 5-day EIA training for GON agencies and other stakeholders (Activities 13, 18, 21);
- Initiated a study to identify distribution and sharing of hydropower benefits including royalty payments by power generators (Activities 11, 20);
- Initiated a public outreach program to raise awareness of hydropower development among GON agencies, other stakeholders, NGOs, and the public (Activities 2, 10, 12, 24)
- Prepared and reviewed with DOED summary of workshops on public hearings, gender issues, baseline data collection, impact assessment, mitigation measures, and monitoring EIA preparation and initiated preparation of guidelines/manual based on workshop results (Activities 19, 21, 22)
- Interfaced and cooperated with USAID SO5, and South Asia Regional Initiative – Energy (SARIE) programs (Activity 25)
- Negotiated a contract amendment with USAID for conducting feasibility studies and EIAs for up to 5 small (5-10 MW) hydropower projects to assist DOED develop a roster of projects for private sector development (New Activity 26); the contract was amended on June 6, 2003;
- Initiated contract management activities to conduct feasibility studies and EIAs through local subcontractors (Activity 26).

C. Opportunities, Constraints, Issues, and Recommendations

- Signing of interim truce with the insurgents provided an opportunity for increased development activities; however, ministerial changes and administrative changes continue to delay significant new investment in the sector
- Signing of the PDF provided an impetus from private sector for development funding

- In order to facilitate their reporting to the MOWR, DOED had requested for regular reporting on the status of our planned activities. We discussed with DOED their needs and agreed to provide bi-weekly work-in-progress output information in addition to monthly and trimesterial reports that we provide.

I.2. Expected Results (Outputs and/or Indicators of results)

As a measure of performance under this contract to support SO4, the following intermediate results (IR) are monitored:

1. IR 4.1- Improved enabling environment for equitable and sustainable hydropower development
2. IR 4.2 – Strengthened environmental and social assessment procedures with broadened stakeholder participation

Primary indicators used to assess the IRs under the contract are summarized below:

Indicator SO 4.1 - Private financial commitments for hydropower projects, measured as cumulative investment amount in millions of US dollars.

Indicator SO 4.2 - Number of private sector firms participating in projects of one megawatt or greater, measured as growth per year of investment in millions of US dollars.

The following secondary indicators supporting performance under SO 4.1 and SO 4.2 are monitored:

Indicator I.R. 4.1.1 - Private sector projects progressing toward financial closure, measured as cumulative number of private sector projects progressing towards financial closure.

Indicator I. R. 4.1.2 - Royalties distributed to affected communities according to policy, measured as the amount of royalties distributed to affected communities in millions of US dollars.

Indicator I. R. 4.2.1 - Number of approved Environmental/Social Impact Assessments for hydropower proposals that meet or exceed international guidelines, measured as the number of EIA/SIA at or above international standards approved by DOED, MOWR, and MOPE for private sector hydropower projects per year.

Indicator I.R. 4.2.2 - Public hearings for hydropower conducted with local stakeholders and affected communities, measured as the number of public hearings held for private sector hydropower projects per year.

Indicator I. R. 4.2.3 - Number of professionals trained in reviewing Environmental/Social Impact Assessments, measured as the total number of professionals trained.

Analysis of Results

Review of indicators for IR 4.1 suggest a slowing down of new private sector (post-financial closure) investments and activities resulting from a soft global economy and particularly, the uncertain political situation in Nepal. The present political and security situation may have also caused a delay in concluding a power purchase agreement between the private sector developer and the Power Trade Corporation of India, for the purchase of power from the 720 MW West Seti Project.

Further, recent public debate of issues of existing power purchase agreements (PPAs) between the NEA and the IPPs is being closely watched by international community prior to making significant investments in the sector. Implementation of the PDF, which is finally underway, may help reverse this trend.

Indicators for IR 4.2 show a considerable increase in the number of survey license issued for private sector and studies conducted for small hydropower projects, particularly in rural electrification and distribution sub-sector. This is a clear indication of investor interest and confidence in the sector. There is an increased public awareness of the steady stream of royalty revenue to the GON and to affected local authorities. These two factors in conjunction with the signing of the PDF loan provide a strong indication of a possible turn around in private investment in the sector, provided the political situation improves. A significant increase in rural electrification and distribution system reinforcements would contribute to increased demand and would increase the need for new investments. Indicators for IR 4.2 also show a healthy increase in local capability to prepare EIA documents through increased documents being processed by the DOED.

After discussion of the draft Six Monthly Report #3 and IRG indicator tables, it was agreed with the CTO that it would be useful to publish one set of indicator results consistent with the USAID project monitoring plan (PMP). A single set of indicators would facilitate easy and uniform review and assessment of the program results. Hence, the following tables are compiled in accordance with the Mission's PMP.

Performance Data Table – SO 4

SO or IR	Results Statement	Indicator	Unit of Measure	Dis-aggregation	Baseline Year	Baseline Value	2002 Target	2002 Actual	2003 Target	2003 Actual *	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	
SO4 IR 4.1	Increased private sector participation in environmentally and socially sustainable hydropower development	Private financial commitments for hydropower projects	Millions of US Dollars		2001	323	327	348	335	360	355		400		445		Cumulative
							4	25	8	12 ***	20		45		45		Incremental
SO4 IR 4.1.1	Improved enabling environment for equitable and sustainable hydropower development	Private sector projects progressing towards financial closure	Cumulative total number of projects that have passed important stages toward completion of a private hydropower project	Stage 1	2001	24	26	28	30	38	35		40		45		
				Stage 2		6	7	8	8	8	10		12		14		
				Stage 3		6	7	6	8	10	10		12		14		
				Stage 4		6	7	8**	8	9	10		12		14		
SO4 IR 4.1.2	Improved enabling environment for equitable and sustainable hydropower development	Royalties distributed to affected communities according to policy	\$ Equivalent and % of royalties transferred to DDCs.		2001	95,522	125,400	167,284	133,000	248,686	151,400		164,000		177,000		Cumulative
							10%	10%	10%	10%	10%		10%		10 %		

* As of Nov 12, 2003

** Correction made as data came in this year only.

*** Includes BPC (repair of Jhimruk)-\$3M; Khudi-\$7M and Bhote Koshi+Khimti – \$2M

Performance Data Table – SO 4 (Continued)

SO or IR	Results Statement	Indicator	Unit of Measure	Dis-aggregation	Baseline Year	Baseline Value	2002 Target	2002 Actual	2003 Target	2003 Actual	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2006 Actual	
SO4 IR 4.2	Increased private sector participation in environmentally and socially sustainable hydropower development	Number of private sector firms participating in projects of one megawatt or greater	Number of firms	Redundant (Stage 1 of IR 4.1.1)	2001												Cumulative
SO4 IR 4.2.1	Strengthened environmental and social assessment procedures, with broadened stakeholder participation	Number of approved environmental/ social impact assessments for hydropower proposals that meet or exceed international guidelines	Number of EIAs/ SIAs complying with guidelines		2001	7	8	10	10	17	12		14		16		Cumulative
							1	3	2	7	2		2		2		Incremental
SO4 IR 4.2.2	Strengthened environmental and social assessment procedures, with broadened stakeholder participation	Public hearings for hydropower conducted with local stakeholders and affected communities	Number of hearings		2001	17	19	18	21	24	25		31		37		Cumulative
							2	1	2	6	4		6		6		Incremental
SO4 IR 4.2.3	Strengthened environmental and social assessment procedures, with broadened stakeholder participation	Number of professionals trained in reviewing environmental/ social impact assessments	Number of people trained.		2001	107	117	145	127	179	147		167		187		Cumulative

NOTE: SO4 Performance baseline and targets established on 2/22/2002

IR 4.1.1 Stage 1: Survey license issued

Stage 2: Generation license issued

Stage 3: Completion of studies

Stage 4: Financial closure/Power Agreement

Last update as on : November 12, 2003

I.3. Administrative and Management Activities

A. Procurement and facilities

- Procured 11 computers, two printers, and associated hardware for DOED. A second network server, copiers, and hardware are being procured
- Provided assistance to launch DOED website
- Provided assistance to develop a new website for the MOWR
- Continued to provide IT support to over 25 DOED staff

B. Subcontracts

Contract documents are being prepared for selecting new subcontractors for preparing feasibility studies and EIAs for small hydropower projects under Activity 26.

C. Project personnel

In May 2003, our Project Administrator resigned. A new project administrator was approved by RCO in June. As of June 30, 2003, resident staff included the Krish Krishnan, Chief of Party, Stefan Gorzula, Deputy Chief of Party, Rabin Shrestha, Senior Technical Advisor, Ms. Rajya Laxmi Bajracharya, Project Administrator, and six administrative and support staff.

D. Significant Meetings

- SOT meeting on was held on January 10, 2003
- Progress meetings among IRG, DOED and USAID were held on February 27, 2003, April 15, 2003, and June 6, 2003
- Several working sessions/meetings were held with DOED, NEA, WECS, MOWR, MOPE, IPPs, and other stakeholders during the reporting period

E. Out-of-country Training

- Four senior officials of the MOWR, NEA, DOED, and WECS attended the World Water Forum 3 in Kyoto Japan during March 16-23, 2003
- Two senior engineers from DOED attended POWERISK 2003 conference in Kuala Lumpur, Malaysia during June 25-27

F. In-country Training

- 17 DOED officials attended the 8th National Convention and FEISCA Regional Meet held in Kathmandu from April 3 to 5, 2003.
- A 5-day training course on EIA and Hydropower Development held in Hotel Yak & Yeti, Kathmandu from April 30 to May 6, 2003 organized by MOPE/DOED and NORAD/USAID and implemented by IRG and the Norwegian Development for Wildlife
- Preview due-diligence training was conducted on project feasibility evaluation on June 7 for DOED engineers

G. Field activities

- Three DOED staff visited the Bhote Koshi power plant as part of O&M training exercise between May 2-5
- Members from GON agencies, NGOs, and other stakeholders along with NORAD and IRG staff visited the Sunkoshi Hydroelectric Project on June 17, 2003.

I.4. Progress by Technical Activities

General Activities

Following table provides NHMS outputs monitoring progress of each activity.

International Resources Group Ltd.
PSHDP-2

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT - 2003

Activity #	Description	Output/Deliverable	Planned Date	Actual Date	Status
Activity 1:	Support policy, legal and regulatory reform and strengthen key institutions.				
	Prepare preliminary organization of power sector in discussion with DOED.	Preliminary Organization Chart	31-May-03	30-Apr-03	Completed
	Prepare strategy document for regulatory unit and DOED strengthening; conduct short workshops with HMGN agencies to refine the document	Strategy Document/ Presentations	15-Sep-03		Accelerated Schedule
	Provide regulatory, legislative, and legal support as needed	Draft Regulations for NERC; Update Electricity Act	31-Dec-03		Accelerated Schedule
Activity 2:	Facilitate policy dialogue between HMG/N and civil society groups.				
	Identify civil society groups and HMGN agencies	List	30-Jun-03	30-Jun-03	Completed
	Strengthen public information center at DOED	Technical Support	31-Dec-03		Ongoing
	Develop public outreach program	Strategy Paper	31-Oct-03		Ongoing
Activity 3:	Technical support to the DOED on one or more export projects.				
	Identify specific projects and issues, and collect relevant data; conduct research of comparable projects to develop a workshop/training program	Discussion Paper	31-Oct-03		Revised to take account of Activity 7 Strategy
	Conduct training/workshop; continue follow up TA	Training/workshop	31-Dec-03		
	Assist in developing/updating tariff structure for export energy as needed (in conjunction with Activity 7)	Strategy/Plan	31-Dec-03		
Activity 4:	Technical support to improve the "one window" mechanism.				
	Consistent with the power sector restructuring strategy developed under Activity 1, review existing licensing procedure, assess working relationship among DOED, HMGN agencies, civil society groups, NGOs, and national and intl. financial institutions	Flow Chart	30-Sep-03		Revised to take account of Activity 1 Strategy

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT - 2003 (Continued)

Activity #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Prepare a memorandum containing recommendations for improvement and discuss details in a workshop with HMGN agencies to identify procedures and authority required for implementing a one-window approach	Memorandum	31-Oct-03		
	Assist DOED to establish an inter-agency committee; coordinate with Activity 1 and conduct training seminars to enhance DOED staff's capacity to act as a liaison among HMGN agencies	Presentation/Seminar	31-Dec-03		
Activity 5:	Assist DOED in implementing the World Bank's Power Development Fund (PDF).				
	Provide support to DOED to address comments from WB on PDF	Technical Support/Analysis	31-Mar-03	31-Mar-03	Completed
	Assist DOED in preparing for PDFA Negotiation	Draft Administration Agreement(AA)	30-Jun-03	30-Jun-03	Completed
	Assist in preparing negotiation strategy	Strategy Paper	15-Aug-03		Ongoing
	Prepare brochure on licensing procedure	Brochure	31-Aug-03		
	Assist DOED in negotiations to conclude AA with PDFA	Technical Support	15-Oct-03		(Estimated Timeline)
	Assist DOED in implementing the PDF	Technical Support	31-Dec-03		
Activity 6:	Improve DOED's capacity				
	Review existing project approval process, database needs, and compliance monitoring requirements	Review Notes	28-Feb-03	31-May-03	Completed - Activity slightly delayed to accommodate other priorities
	Prepare terms of reference for developing and operating computer database management system and initiate execution	DBS SOW	30-Aug-03		Draft SOW Complete
	Design and implement database management system; identify targeted technical training needs and implement training program	Operating Data Base	31-Dec-03		Ongoing
Activity 7:	Identify Issues and Constraints to Power trade under Power Trade Agreement with India				
	Identify issues in the PTA regarding downstream benefit definition; Identify opportunities for and constraints to cross-border power trade;	Draft Report	05-Jul-03	31-Jul-03	Completed
	Study Indian market and develop export strategy paper for the short term	Strategy Document/Report	30-Aug-03		Ongoing
	Expand the strategy paper for long-term energy export	Strategy Document	31-Dec-03		Ongoing

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT - 2003 (Continued)

Activity #	Description	Output/Deliverable	Planned Date	Actual Date	Status
Activity 8:	Assist DOED in developing and analyzing project proposals, RFQs and RFPs from a financial perspective.				
	Review and update validity of prequalified bidders	Technical Support	31-Aug-03		Technical Review Complete
	Conduct financial analysis of Kabeli-A Project	Benchmark Price	31-Aug-03		Ongoing
	Finalize RFP for BOOT Projects to incorporate World Bank's review comments (including legal review)	RFP Document	31-Oct-03		Ongoing
	Conduct project due-diligence workshop for DOED staff	Workshop			In conjunction with activity 14, 26
Activity 9:	Study and Review of Nepal's finance sector to promote domestic investment in hydropower.				
	Review of existing laws and regulations regarding project financing	Technical Support	31-Aug-03		Ongoing
	Discuss with IPPs and financial institutions	Technical Support	31-Oct-03		Ongoing
	Prepare a strategy document	Strategy Document	30-Nov-03		Ongoing
	Conduct workshop to discuss strategy document	Workshop	15-Dec-03		Ongoing
Activity 10:	Improve public awareness and participation in private hydropower development.				
	Develop training modules for DOED and other GON staff to implement public outreach program (for 2004); media professionals	Training/Workshop			in conjunction with Activity 2, 24
Activity 11:	Improve transparency of local revenue sharing of hydropower benefits.				
	Collect and analyze available information	Data Assembling	31-Aug-03		Ongoing
	Develop questionnaires to obtain field data	Questionnaire	30-Sep-03		Ongoing
	Field visits to hydro-project sites to interview VDC and DDC officials		15-Aug-03		
	Draft report on findings with recommendations	Draft Report	01-Oct-03		
	Final Report	Report	1-Nov-03		
Activity 12:	Build outreach and education programs to increase public support through information.				
	Training Workshop for DOED and HMGN agencies on public outreach and education	Training/Workshop	2004		in conjunction with Activities 2, 24

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT - 2003 (Continued)

Activity #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Develop and implement public outreach and education programs		2004		
Activity 13:	Perform training needs assessment for DOED and key institutions, complementary to SARI/E training program.				
	Review training program	Document Review	07-May-03	07-May-03	Completed
	Update Training Needs Assessment / Revise Training Program for 2003	Activity Implementation Plan	01-Aug-03	31-Jul-03	Ongoing
Activity 14:	Training Activities - Build Nepalese capacity for regional energy development and trade.				
	Project Due-Diligence workshop	Review Workshop	31-Jul-03	06-Jul-03	Completed
	Project Due-Diligence workshop	2nd Workshop	15-Nov-03		In coordination with activities 8, 26
	Electricity Pricing Concepts; project due-diligence	Training/Presentation	31-Oct-03		Ongoing
	Electricity Generation Planning Techniques	Training/Presentation	31-Oct-03		
	Economic and Financial Analysis	Training/Workshop	30-Nov-03		
	Project Financing; Local Capital Investment	Training/Workshop	31-Dec-03		
Activity 15:	Training Activities - Train DOED and HMGN staff on IPPs and power trade negotiations.				
	Identify specific needs and prepare training materials; Identify specific training(s) in technical and negotiations skills; include training programs in WP 2004	Update TNA Report	31-Dec-03		Ongoing
Activity 16:	Training Activities - Executive exchanges to promote energy reform consensus.				
	Identify and arrange appropriate executive exchange program in consultation with DOED USAID		31-Dec-03		
	Conduct first executive exchange tour	Study Tour			Deferred to 2004
Activity 17:	Training Activities -Study tours to Indian States to learn from various sector reforms.				
	Plan Tour and identify participants. Likely destination Orissa and Maharastra	Tour schedule logistics	31-Aug-03		Ongoing
	Conduct Tour and evaluate results	Study Tour	30-Nov-03		

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT - 2003 (Continued)

Activity #	Description	Output/Deliverable	Planned Date	Actual Date	Status
Activity 18:	Train/assist relevant HMG/N agencies in EIA/SIA and public consultations.				
	Provide on-the-job capacity building training to officers and employees of DOED and other counterpart agencies during the execution of this AIP	Training/Workshop	31-Dec-03		5 Day training conducted in April-May, 2003
	Collaborate with SchEMS on semi-annual EIA training courses, as well as short solicited courses by government agencies	Training/Workshop	31-Dec-03		Sponsored DOED staff for 2 training courses
Activity 19:	Improve public hearings and documentation of stakeholder concerns.				
	Develop draft good practice guidelines for Public Hearings and Public Consultation	Draft Guidelines	15-Sep-03		Under Preparation
	Develop draft good practice guidelines on Gender Participation	Draft Guidelines	1-Sep-03		Under Preparation
	Hold workshop on draft good practice guidelines for Public Hearings and Public Consultation	Training/Workshop	30-Sep-03		
	Hold workshop on good practice guidelines on Gender Participation	Training/Workshop	15-Oct-03		
Activity 20:	Advance impact monitoring and evaluation of benefits and equity issues.				
	Review of 2002 workshop proceedings	Review Report	31-May-03	31-May-03	Completed
Activity 21:	Develop and strengthen EIA/SIA capacity for mitigation, implementation and monitoring.				
	Develop draft good practice guidelines on baseline data, impact analysis and mitigation measure	Draft Guidelines	15-Nov-03		Under Preparation
	Training on draft good practice guidelines on baseline data, impact analysis and mitigation measure	Training/workshop	15-Dec-03		
Activity 22:	Develop standards for certification of EIA/SIA professionals.				
	Collect and analyze data from firms conducting IEE and EIAs	Data Analysis	30-Sep-03		Ongoing
	Review and evaluate responses to voluntary certification/Alternatives	Strategy Paper	31-Oct-03		
Activity 23:	Develop capacity for EIAs at Internationally Acceptable Standards.				
	Prepare O&M Manual for PDF	Manual	31-Mar-03	31-Mar-03	Completed
	Prepare brochure for Licensing Procedures	Brochure	31-Aug-03		in conjunction with Activity

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT - 2003 (Continued)

Activity #	Description	Output/Deliverable	Planned Date	Actual Date	Status
					5
	Train HMGN in EIA Procedures	Training/workshop	15-May-03	29-Apr-03	Completed - in collaboration with NORAD
	Train HMGN in EIA Procedures	Training/workshop	31-Dec-03		Conducted in coordination with Activity 18
	Develop outline for a complete licensing handbook and hold workshop	Training workshop	31-Dec-03		in collaboration with NORAD
Activity 24:	Train public on disclosure and consultation concerning EIA.				
	Finalize checklist on types of disclosure and public consultation	Checklist	30-May-03	30-May-03	Completed
	Prepare Good Practice Guidance document based upon IFC Manual	Guidance Document	30-May-03	30-May-03	Completed
	Conduct workshop for media (In conjunction with Activity 2)	Workshop	2004		Expected early 2004
Activity 25:	Facilitate regional info exchange to resolve key issues.				
	Explore regional EIA training program with SARI/E	Training/Workshop	31-Oct-03		Ongoing
Activity 26:	Feasibility Study and Environmental Impact Assessment of Small (5-10 MW) Hydropower Projects)				
	Develop contracting procedures, pre-qualify bidders, prepare contract documents, bid, receive, evaluate, and select subcontractors for feasibility studies and EIAs		30-Sep-03		Ongoing
	Award two subcontracts		15-Oct-03		
	Monitor and provide oversight; the task will continue through 2004		31-Dec-03		

I. 5. Personnel, Cost, and Performance Tables

On July 6, 2003 USAID issued IRG contract amendment # 002 which increased the added a new contract line item (CLIN) 003 for the conduct of up to five feasibility studies and preparation of EIAs for small hydropower projects, to be conducted by new subcontractors. CLIN 003 provides only for subcontracting costs only and no such costs have been incurred, yet. IRG's costs incurred to carry out the activities are included in CLIN 001 and CLIN 002. The schedule of short-term technical assistance, cost summary by CLINs, and estimated percent completion by CLIN and status by subtask at end of current report period are shown on Tables 3 through 6.

TABLE 3. SHORT TERM EXPATRIATE TECHNICAL ASSISTANCE
(From January – June, 2003)

Name	Arrival Date	Departure Date	Length of Stay (days)	CLIN Number(s)	Assignment
Charles Moseley	30-Apr-03	20-May-03	20	1,2	Activities 1, 6, 16, and 17 plus program overview
Pat Sonti	05-Jun-03	09-Jun-03	4	1	Activity 7
Kenneth Lussier	06-Jun-03	25-Jun-03	19	1	Activity 5
Shahid Ahmad	13-Jun-03	28-Jun-03	15	1,2	Activity 1
Pat Sonti	17-Jun-03	28-Jun-03	11	1	Activity 7
John Edwards	17-Jun-03	28-Jun-03	11	1,2	Activities 1, 7
Charles Moseley	20-Jun-03	01-Jul-03	11	1,2	Activities 1, 6, 7, 16, and 17 plus program overview

TABLE 4. COST SUMMARY BY CLIN
(As of June 30, 2003)

CLIN No.	Contract Budget	Total Claimed by 6/30/2003	Percent Budget To 6/30/2003 Expenses
CLIN 001	\$2,981,228	\$888,966	29.8%
CLIN 002	\$2,218,867	\$625,103	28.2%
CLIN 003	\$497,578	0	0
Total	\$5,697,673	\$1,514,069	26.6%

TABLE 5. PERCENT COMPLETION BY CLIN
(As of June 30, 2003)

CLIN	Title	Expended Resources Percent	Estimated Activity Completion Percent
01	Improved enabling environment for equitable and sustainable hydropower development	29.8%	22%
02	Strengthened environmental and social assessment procedures, with broadened stakeholder participation	28.2%	20%
03	Conduct Feasibility Studies and EIAs	0%	0%

TABLE 6. PERCENT COMPLETION BY ACTIVITY
(As of June 30, 2003)

Activity Number	Activity Description	Percent Complete
CLIN 1 – Improved enabling environment for equitable and sustainable hydropower development		
1	Support policy, legal, and regulatory reform and strengthen key institutions	30%
2	Facilitate policy dialogue between HMG/N and civil society groups	10%
3	Technical support to the DOED on one or more export projects	10%
4	Technical support to improve the "one window" mechanism	20%
5	Assist DOED in implementing the World Bank's Power Development Fund (PDF)	70%
6	Improve DOED's capacity	35%
7	Identify Issues and Constraints to Power trade under Power Trade Agreement with India	40%
8	Assist DOED in developing and analyzing project proposals, RFQs and RFPs from the financial perspective	25%
9	Study and Review of Nepal's finance sector to promote domestic investment in hydropower	15%
10*	Improve public awareness and participation in private hydropower development	30%
11	Improve transparency of local revenue sharing of hydropower benefits	15%
12*	Build outreach and education programs to increase public support through information	30%
13*	Training Activities - Perform training needs assessment for DOED and key institutions, complementary to SARI/E training program	75%
14	Training Activities - Build Nepalese capacity for regional energy development and trade	10%
15	Training Activities - Train DOED and HMGN staff on IPPs and power trade negotiations (Financial issues)	10%
16	Training Activities - Executive exchange to promote energy reform consensus	10%
17	Training Activities - Study tours to Indian States to learn from successful sector reforms	25%
	CLIN 1	28%

* These activities support CLIN 1 and CLIN 2

TABLE 6. PERCENT COMPLETION BY ACTIVITY (Continued)
(As of June 30, 2003)

Activity Number	Activity Description	Percent Complete
CLIN 2- Strengthened environmental and social assessment procedures, with broadened stakeholder participation		
18	Train/assist relevant HMG/N agencies in EIA/SIA procedures and public consultations.	40%
19	Improve public hearings and documentation of stakeholder concerns	30%
20	Advance impact monitoring and evaluation of benefits and equity issues	20%
21	Develop and strengthen EIA/SIA capacity for mitigation, implementation and monitoring	35%
22	Develop standards for accrediting EIA/SIA Professionals	50%
23	Develop capacity for EIA/SIAs at or above World Bank or IUCN standards	30%
24	Train public on disclosure and public consultation concerning EIA/SIA	30%
25	Facilitate regional info exchange to resolve key issues	25%
CLIN 2		32%
ESTIMATED OVERALL WEIGHTED PERCENT COMPLETE		29%

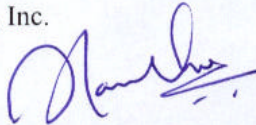
SECTION II - COGNIZANT TECHNICAL OFFICER'S (CTO) REPORT

AGENCY FOR INTERNATIONAL DEVELOPMENT MISSION TO NEPAL

MEMORANDUM

DATE: October 16, 2003

TO: Krish Krishnan, Chief of Party
International Resources Group, Inc.

FROM: Anthony B. Carvalho, CTO 

SUBJECT: CTO Comments on the Third Semi-Annual Report, Private Sector Hydropower Development Project-2, IRG/USAID Contract No. 367-C-00-02-00011-00 in support of USAID's Strategic Objective 4.

Please include the following in Section 2 of the Third Semi-Annual Report for the period January 1, 2003 to June 30, 2003:

IRG submitted a draft of its third Semi-Annual Performance Report for the period January 1, 2003 to June 30, 2003 on July 31, 2003. On review of this draft the CTO made comments and discussed certain aspects of the report with IRG's Chief of Party. After these discussions, it was agreed that it would be useful to publish one set of indicator results consistent with the USAID's project monitoring plan (PMP). A single set of indicators would facilitate easy and uniform review and assessment of the program results and this is now reflected in the final version of this report.

As highlighted in the report, excellent progress continued to be made with regard to work plan activities although the economic and political situation continues to deteriorate due to the Maoist insurgency. A considerable increase in the number of survey license issued to the private sector and studies conducted for small hydropower projects, particularly in rural electrification and distribution sub-sectors, was encouraging. This is a clear indication of investor interest and confidence in the sector. There is an increased public awareness of the steady stream of royalty revenue to the GON and to affected local authorities. These two factors in conjunction with the signing of the PDF loan provide a strong indication of a possible turn around in private investment in the sector when the political situation improves.

In general, the first part of this year's activities may be described as relevant, appropriate, productive and more or less within schedule. The report accurately describes progress accomplished during the reporting period.

CC: RCO: Raymond Edler; CO: Ram Gurung
GDO: PKresge
PPD:CJennings