

PD-ABT-437
109161

PRIVATE SECTOR HYDROPOWER DEVELOPMENT PROJECT

SECOND ANNUAL REPORT

July 15, 1999 through July 31, 2000

Prepared for:

United States Agency for International Development
Mission to Nepal

Contract No. 367-C-00-98-00071-00
Project No. 367-04A1 [367-0173]

Title: Increased Private Sector Participation and Investment in
Environmentally and Socially Sound Hydropower

International Resources Group, Ltd.
Department of Electricity Development
Ministry of Water Resources
Kathmandu, Nepal

A

CONTENTS

	Page
<u>Contractor information</u>	2
<u>SECTION I – CONTRACTOR’S REPORT</u>	3
1. <u>Summary of accomplishments</u>	3
2. <u>Highlights of Hydropower Development in Nepal 1999-2000</u>	4
3. <u>Expected Results (Outputs or Indicators)</u>	4
4. <u>Activities Leading to the Indicator Targets</u>	10
5. <u>Year Two Activities and Progress by Task</u>	14
6. <u>Additional Comments and Recommendations</u>	22
7. <u>Personnel, Cost, and Performance Tables</u>	23
<u>Table 1. Short-term expatriate technical assistance</u>	24
<u>Table 2. Cost summary by CLIN</u>	25
<u>Table 3. Percent Completion by CLIN as of July 31, 2000</u>	26
<u>Table 4. Percent Completion by Subtask as of July 31, 2000</u>	27
 <u>Section II - Cognizant Technical Officer's Comments</u>	 29

Private Sector Hydropower Development Project

**Ministry of Water Resources
Kathmandu, Nepal**

**Second Annual Report
(July 15, 1999-July 31, 2000)**

Contractor: International Resources Group, Ltd,

1211 Connecticut Avenue NW, Washington, DC 20036
Phone 1-202-289-0100, Fax 1-202-289-7601

Department of Electricity Development, Red Cross Building,
Exhibition Road, Kathmandu
Phone: 977-1-253363, 222617, phone/fax 227539
E-mail: pshdp@wlink.com.np and individual sub-accounts

Contract No: 367-C-00-98-00071-00

Project No: 367-04A1[367-0173]

Reporting Period: July 15, 1999 to July 31, 2000

Prepared for: United States Agency for International Development Mission to Nepal

SECTION I - Contractor's Report

1. Summary of accomplishments

As major accomplishments during the reporting period, the team:

- Conducted twenty-one **training workshops** to build institutional knowledge in Nepal in the field of hydropower development.
- Assisted the Department of Electricity Development (DOED) in preparation of their presentation at the **SARI** conference as well as presentations on Nepal hydropower investment opportunities at other international conferences.
- Provided commentary on revised **Nepal hydropower development policy**.
- Reported on **private investment and participation, foreign currency, and consumer tariff** issues.
- Completed and published short-listing documents for **Power Development Fund Administrator**.
- Revised Request for Proposals documents for **Power Development Fund Administrator**.
- Completed for publication the revision of **BOOT hydro Request for Qualifications** Notice for Kabela-A and Rahughat Khola Hydroelectric projects.
- Completed the Kabela-A and Rahughat Khola **BOOT hydro Request for Proposal** core documents and revisions on RFP Appendices which include the Project Agreement and Power Purchase Agreement.
- Prepared the draft **technical standards for hydropower** design, construction, and operation in Nepal.
- Reviewed in detail the requirements for **hydropower licensing** in Nepal
- Prepared the draft **Handbook for Applicants** for Hydropower Licensing
- Developed and implemented a comprehensive **Y2K** contingency plan for the project office and staff.
- Prepared draft **water quality standards** for hydropower development in Nepal. They will be taken up before a wider audience in the workshops planned for 2001.
- Prepared on the basis of the extensive review work performed in Year One, a series of draft guidelines on the scoping, terms of reference, and review of studies for environmental and social impact assessments. Workshops are planned to introduce these guidelines to wider audiences and work toward acceptance and legal status for them.
- Assisted Nepal Electricity Authority (NEA) and the Tariff Fixation Commission in dealing with the ADB demand for increases in electricity tariffs of some 30% immediately and a total of 65% during the current fiscal year. This three-way consultation with the team's tariff specialist has laid the groundwork for the actual training in tariff calculations and design in the forthcoming period.
- Prepared preliminary guidelines for public consultation and involvement of NGOs and INGOs.
- Assisted in identifying responsibilities of Ministry of Water Resources (MOWR) and Ministry of Population and Environment (MOPE) for environmental monitoring and auditing as an area of emphasis for the coming period.

2. Highlights of 1999-2000 Hydropower Development in Nepal

Activities involving Nepal's Private Sector Hydropower Development project are highlighted in this section, and related items of on-going work are indicated.

- Meetings within HMGN leading toward the new draft hydropower development policy made use of project inputs as part of the bases for discussion, without, however, adopting many of the recommendations. One important result was the prominence accorded private sector hydropower development in Nepal which was given a boost during the reporting period by changing the Electricity Development Center (EDC) to the DOED. Please note that the designation DOED will be primarily used in this report. The change in status, more than just the name change, comes as a signal of the increasing importance of their function and indicates the optimism the HMGN has for the future of private power in Nepal
- USAID's strategy review process, evaluating the hydropower and other objectives in the context of increasing competition for resources, recommended upgrading support to hydropower development in Nepal from a special to a strategic objective.
- DOED's Public Information Center (PIC), with support from the project, began operation, and a plan was outlined to provide training at Tribhuvan University Library for the PIC staff member.
- The South Asia Regional Energy Forum, held in Kathmandu in December 1999, brought forth many thoughtful presentations and showed some willingness in each country to cooperate. The Director General of DOED made a highly pertinent and well-received presentation on Nepal's energy situation. He emphasized Nepal's institutional preparation to facilitate private sector participation, and the mutual benefits that could be achieved through development of Nepal's hydropower resource and full system energy trading as the most effective way to deal with seasonal imbalances of supply and demand.
- HMGN and the World Bank have moved closer to agreement on establishment of the Power Development Fund, the details of which are a major preoccupation of the project. Essential agreement was reached on documents and procedure for short-listing of candidates for power development fund administrator. Criteria for the evaluation process are presently being developed with the Bank, emphasizing the low cost priority.
- World Bank comments were received on the project's March 16, 1999 draft of the Request for Qualifications (RFQ) for Development of Medium Hydro Projects by BOOT Method. After further exchange of comments, the document, RFQ notice, was published in June, 2000 with supporting documents ready soon thereafter.
- A plan to enlist cooperation of other ministries and offices in the successful operation of DOED's "one-window" assistance to developers was discussed with DOED leadership and appeared to be well received.
- At international forums, DOED leaders demonstrated impressive capability to develop and present illustrated talks on hydropower development opportunities in Nepal.
- The basic review and recommendations of hydropower licensing requirements and procedures in Nepal was undertaken and substantially completed, while identifying a number of issues for further study. A licensing handbook for applicants was prepared in draft form.

3. Expected Results (Outputs or Indicators)

Special Objective 4 (SpO4), for which PSHDP is designed to support, is Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower. The results, which support this objective, are given below with the corresponding indicators and units of measure.

- Result Name: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower.
Indicator: IR 4.1 - Private financial commitments for hydropower project development.
Unit of Measure: Millions of US Dollars

- Result Name: IR 4.1 - Improved enabling environment for private sector investment in hydropower
Indicator: IR 4.1.1 - Private sector projects progressing towards hydropower investments
Unit of Measure: Cumulative total number of projects which have passed important stages towards completion of a private hydropower project

- Result Name: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower
Indicator: IR 4.2 - Environmental/Social Impact Assessments for hydropower proposals
Unit of Measure: Number of Environmental/Social Impact Assessments.

- Result Name: IR 4.2 - Increased environmental and social soundness in hydropower investments.
Indicator: IR 4.2.1 - Public hearings for hydropower projects conducted with local stakeholders and NGOs
Unit of Measure: Numbers of Hearings

These indicators are reasonable measures of progress toward the accomplishment of the strategic objective. They also depend substantially on decisions, to proceed with hydroelectric developments, by parties outside this project and DOED.

Current status in relation to the performance indicators is presented on the following four pages, which have been conformed to the slightly revised indicators or performance data tables used by the USAID mission in its annual R4 report for 1999.

IR 4.1

Performance Data Table

Objective Name: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower				
Objective ID: 367-004-01				
Approved: November, 1997		COUNTRY/ORGANIZATION: USAID/Nepal		
RESULT NAME: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower.				
INDICATOR: IR 4.1 Private financial commitments for hydropower project development.				
UNIT OF MEASURE: Millions of US Dollars		YEAR	PLANNED	ACTUAL
SOURCE: Department of Electricity Development (DOED)		1997 (B)	NA	238
INDICATOR DESCRIPTION: Cumulative total of U.S. dollars (millions) in financial commitments by private financing institutions for development of hydropower projects.		1998	275	278
		1999	325	303
COMMENTS: SpO4's scheduled completion date is 2001. USAID/Nepal is proposing to convert this from an SpO to an SO in the new strategy for 2001-2005. Pending approval of the strategy, the next R4 will show new indicators and targets through 2005.		2000	400	NA
		2001 (T)	475	NA

IR 4.1.1

Performance Data Table

Objective Name: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower			
Objective ID: 367-004-01			
Approved: November, 1997		COUNTRY/ORGANIZATION: USAID/Nepal	
RESULT NAME: IR 4.1 Improved enabling environment for private sector investment in hydropower			
INDICATOR: IR 4.11: Private sector projects progressing towards hydropower investments			
UNIT OF MEASURE: Cumulative total number of projects which have passed important stages towards completion of a private hydropower project	YEAR	PLANNED	ACTUAL
	1997 (B)	NA	a) 2 b) 2 c) 2 d) 2
SOURCE: Department of Electricity Development (DOED)	1998	a) 3 b) 3 c) 2 d) 2	a) 5 b) 3 c) 3 d) 2
	1999	a) 4 b) 4 c) 3 d) 3	a) 15 b) 4 c) 7 d) 3
INDICATOR DESCRIPTION: a) Stage 1 - survey license issued b) Stage 2 – construction license requested c) Stage 3 - feasibility study completed d) Stage 4 - financial closure	2000	a) 5 b) 5 c) 4 d) 4	NA
	2001 (T)	a) 6 b) 6 c) 5 d) 5	NA
COMMENTS: All numbers are cumulative and track the progress of private proposal from the initial granting of a survey license through financial closure which signals the beginning of construction. The target numbers are cumulative and include two projects currently under construction. SpO4's scheduled completion date is 2001. USAID/Nepal is proposing to convert this from an SpO to an SO in the new strategy for 2001-2005. Pending approval of the strategy, the next R4 will show new indicators and targets through 2005.			

IR 4.2

Performance Data Table

Objective Name: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower			
Objective ID: 367-004-01			
Approved: November, 1997		COUNTRY/ORGANIZATION: USAID/Nepal	
RESULT NAME: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower			
INDICATOR: IR 4.2 Environmental/Social Impact Assessments for hydropower proposals			
UNIT OF MEASURE: Number of Environmental/Social Impact Assessments	YEAR	PLANNED	ACTUAL
SOURCE: Department of Electricity Development (DOED)	1997 (B)	NA	2
INDICATOR DESCRIPTION: Cumulative number of Environmental/Social Impact Assessments approved by Ministry of Water Resources in accordance with GON regulations.	1998	3	3
	1999	4	3
COMMENTS: A major goal of this Special Objective is to ensure that hydropower investors adequately address environmental and social impacts of hydropower projects. Environmental and Social Impact Assessment will be carried out in accordance with the HMGN's Environment Protection Act of 1997 and the Environment Conservation Rules of 1997. SpO4's scheduled completion date is 2001. USAID/Nepal is proposing to convert this from an SpO to an SO in the new strategy for 2001-2005. Pending approval of the strategy, the next R4 will show new indicators and targets through 2005.	2000	5	NA
	2001 (T)	6	NA

IR 4.2.1

Performance Data Table

Objective Name: Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower	
Objective ID: 367-004-01	
Approved: November, 1997	COUNTRY/ORGANIZATION: USAID/Nepal
RESULT NAME: IR 4.2 Increased environmental and social soundness in hydropower investments.	
INDICATOR: IR 4.2.1 Public hearings for hydropower projects conducted with local stakeholders and NGOs	
UNIT OF MEASURE: Numbers of Hearings	YEAR PLANNED ACTUAL
SOURCE: Department of Electricity Development (DOED)	1997 (B) NA 4
INDICATOR DESCRIPTION: Cumulative number of public hearings held by private sector hydropower companies.	1998 5 5
	1999 7 9
COMMENTS: If the government and private sector companies hold more hearings in the local communities, the local stakeholders and Nepali NGOs will have more of an opportunity to voice their concerns. SpO4's scheduled completion date is 2001. USAID/Nepal is proposing to convert this from an SpO to an SO in the new strategy for 2001-2005. Pending approval of the strategy, the next R4 will show new indicators and targets through 2005.	2000 9 NA
	2001 (T) 11 NA

4. Activities Leading to the Indicator Targets

Procurement and facilities

Most of the commodities items called for in the contract were purchased in Year One, along with additional furnishings for the project office and for DOED, as described in the First Annual Report. Certain of the commodities items specified in the contract, however, remained to be purchased. This was due to a shortfall in the corresponding budget for the commodities item in CLIN 7, for which a line item adjustment would be required before proceeding. A decision on this point was held in abeyance, by informal agreement with the CTO, during the fall of 1999 while the strategy review was under way. Subsequently, toward the end of the reporting period and with the favorable completion of the strategy review, the project was advised to proceed to complete the specified purchases. A corresponding proposal for line item adjustment is planned for the forthcoming period to augment the commodities budget, taking from the other CLINs where expenditures were slightly lower than projected.

Subcontracts

- a. Project work by subcontractor Duke Engineering & Services was initiated in the spring of 1999 and continued effectively and at a good pace during the reporting period. The Duke consultants are expected back during the period of January to February 2001.
- b. The first annual report described how two key personnel of our subcontractor METCON Consultants, of Kathmandu, had become unavailable in the interval preceding approval of the subcontract and were replaced by an independent local consultant. Subsequently, the resulting project environmental group of Mr. Sudesh Malla of DOED, Professor Govind Ghimere and Mr. Bharat Sharma of METCON, consultant Dr. Ram B. Khadka, and Dr. Stefan Gorzula, resident environmental advisor, have worked very effectively as a team. As discussed in Section 6, we are evaluating, as part of the forthcoming line item adjustments and contract amendment, the possibility to increase the amount of environmental effort available for the METCON personnel and Dr. Khadka. Tentatively, we plan to request that adjustment and increase. While the billings for METCON personnel fall under the subcontractor line item, Dr. Khadka's billings are submitted as "Nepal/TCN Consultant".

Project personnel

Resident staff: Chief of Party Mr. L. Dow Nichol departed in June, ending his residency on this project. By this time, his replacement Mr. L. Wang had been selected and made his initial trip under this project. Soon after the reporting period he returned on a long-term basis. Resident staff also includes Stefan J. F. Gorzula, Ph.D., resident environmental advisor, and Mr. C. B. Lamichhane, project administrator, plus other local office staff.

The principal activities of the chief of party included:

- Scheduling, related approvals, and clearances for short-term personnel.
- Participation in discussions and drafting of key documents for the Power Development Fund.
- Providing support to short-term personnel.
- Participation in the activities mentioned in Section 5 below.

The principal activities of the resident environmental advisor included:

- Coordinating the work of the environmental and social impact assessment team, comprised of Mr. Sudesh Malla, DOED, Govind Ghimere, METCON, Bharat Sharma, METCON, and Dr. Ram B. Khadka, consultant and dean of SchEMS.
- Coordinating the work of team personnel on Tasks 4 and 5.
- Providing support to short-term personnel.
- Developing and implementing the Y2K preparedness plan.
- Participation in any activities as directed by the chief of party.

Short-term technical assistance: Thirty short-term visits were made by fifteen individuals. These, with their principal assignments were:

- Mr. Shakeb Afsah, IRG; public consultation.
- Mr. David Anderson, DE&S; water standards for hydropower development.
- Mr. John Northrop, DE&S; design standards.
- Dr. Hasso Bhatia, consultant; calculation of electricity tariffs.
- Mr. Kenneth Lussier, consultant; financial analysis.
- Mr. Ron Grady, DE&S; design standards.
- Mr. Oswaldo Juvier, DE&S; BOOT hydro RFP.
- Ms. Laurel Heacock, DE&S; hydropower licensing.
- Mr. Thomas Gross, legal analyst; Power Development Fund documents
- Mr. Daud Beg, IRG; Hydropower Development Policy and PDF documents.
- Ms Mary Webster, IRG, Energy Group Director; Regulatory Training
- Paul D. Lavigne, IRG, Semi-annual report preparation, website research, Developer database
- Kurt Adams, BOOT Hydro RFP's
- Dr. Jim Guy, IRG, Development of BOOT Hydro RFP's, Phase II workplan
- John Osborne, Development of Power Purchase Agreement and Hydropower Project Agreements for Kabeli-A and Rahughat Khola BOOT Hydroelectric projects.

Events

- On August 1, 1999, Dr. Hasso Bhatia gave a presentation on Cost and Tariff Methodology
- On September 21, Dr. Gorzula and Mr. Nichol met with representatives of Bhote Koshi Power Company and USAID.
- On September 27, Dr. Gorzula and Mr. Nichol attended a seminar on "The US Energy Administration" at the Center for Energy Studies, Engineering Campus, Tribhuban University, presented by Dr. Mark Rodekohn of U.S. Department of Energy.
- In September 1999, Laurel Heacock presented material on Implementation of Hydropower Development Regulatory Scheme.
- On October 14, Dr. Gorzula and Mr. Nichol attended a seminar on "Ethical Decision Making" presented by USAID at the Soaltee Hotel.
- In August and October 1999 Dr. Gorzula and Mr. Nichol met with AID/Washington visitors to provide background information on the project regarding the South Asia Regional Initiative (SARI) and the hydropower component of the mission strategy review.

- On December 2 and 3, 1999 Mr. Nichol attended the South Asia Regional Energy Forum sponsored by USEA and USAID in Kathmandu.
- On December 6, 1999 Dr. Gorzula and Mr. Nichol attended a briefing on the results of the strategy review process presented by the mission director for USAID partners..
- In December, 1999, Dr. Gorzula led a training class on EIA and Public Consultation at SchEMS.
- In February 2000, Mr. L.D. Nichol gave a presentation on Hydropower Regulation & Overall climate for private investment.
- On March 10, 2000 Dr. Gorzula led a one-day inter-agency SWOT workshop on EIA for Nepal Hydropower
- On May 25-26, 2000, IRG led a two-day inter-agency workshop on scoping and TOR's for EIA's of hydropower in Nepal.

Field activities

- In July 1999, Dr. Gorzula of IRG and Mr. Sudesh Malla of DOED traveled to a remote area in Far Western Nepal to attend two public hearings for the proposed West Seti Hydropower Project. One hearing was held in the area of the proposed reservoir and the other in the transmission corridor between the project and the border with India.
- In August 1999, Mr. Nichol and Dr. Gorzula of IRG, Mr. Oswaldo Juvier of DE&S, and Mr. Tony Carvalho of USAID visited the construction site of the Upper Bhote Kosi Hydroelectric Project.
- In March, 2000, Mr. Daud Beg accompanied Mr. Biswanath Sapkota and Dr. Aryal to Detroit, Michigan, El Paso, Texas and Washington, DC on their trip to the U.S.

Documents Produced

- First Annual Report, August 1999 (Revised December 1999).
- Reviewed and revised short-listing and selection documents for Power Development Fund Administrator (PDFA).
- Draft Administration Agreement for Power Development Fund Administrator.
- Draft report and recommendations on hydropower licensing in Nepal
- Draft handbook for applicants for hydropower licensing in Nepal
- Detailed internal discussion drafts of technical standards and guidelines for hydropower development in Nepal.
- Informal memorandum on approaches to tariff setting procedures in Nepal
- Informal memorandum on availability of foreign exchange to meet convertibility commitments of IPP project agreements
- A series of draft materials under subtask 2.4, Design, Safety, and Procedural Guidelines, was provided to DOED for review, discussion, and comment.
- Three 4-volume sets of reference material on electricity regulation were prepared for DOED, the Tariff Fixation Commission, and IRG/USAID.
- Request for Qualifications for Hydroelectric Development by BOOT Method: Second revised draft dated March 16, 1999 was updated after exchange of comments with World Bank and was considered ready to issue.
- The internal working document on Environmental Impact Assessments entitled *SOURCE BOOK #1* was completed and bound.
- Material was compiled for a USAID/DOED Seminar about "anti-dam lobbyists".

- Draft EIA Scoping Guidelines were prepared.
- Draft EIA Terms of Reference Guidelines with notes on EIA preparation were prepared.
- Draft EIA Review Guidelines were prepared.
- Briefing materials on U.S./Canada International Joint Commission and U.S./Mexico International Boundary and Waters Commission were obtained from the respective internet sites and bound into briefing books on the two agencies for Dr. Aryal and Secretary Sapkota.
- RFQ Advertisement notice which has been published beginning the procurement process for the two BOOT hydro projects: Kabeli-A and Rahughat Khola Hydroelectric projects
- Workplan for period July 2000 – July 2001
- Semi-annual report for the period July 1999-January 2000

Principal Documents in Preparation

- Request for Qualifications for Administrators of the World Bank's Power Development Fund (PDF).
- Request for Proposal (RFP) documents for PDF/A
- Request for Proposals for Hydroelectric Development by BOOT Method for Kabeli-A and Rahughat Khola Hydroelectric projects
- Power Purchase Agreement (PPA) for BOOT Hydro for Kabeli-A and Rahughat Khola Hydroelectric projects
- Project Agreement for BOOT Hydro for Kabeli-A and Rahughat Khola Hydroelectric projects
- Report and recommendations on hydropower licensing in Nepal
- Handbook for applicants for hydropower licensing in Nepal
- Memorandum on approaches to tariff setting procedures in Nepal
- Memorandum on availability of foreign exchange to meet convertibility commitments of IPP project agreements.

Previous Documents under Client Review and Discussion

- Electricity Development Center: A Diagnostic Assessment; discussion draft, May 1999
- Nepal Standard Power Purchase Agreement, Indicative Sample Draft, May 1999
- DOED Licensing Procedures; initial studies and memorandum, 1999
- Revised Nepal Hydropower Policy, internal draft, June 1999
- Power Development Fund, ongoing discussion of draft Administration Agreement and other basic documents.

Documents Reviewed

- The 7 volume West Seti Environmental Impact Assessment report was reviewed for DOED.

5. Year Two Activities and Progress by Task

TASK 1: Develop DOED Capabilities to Manage the Private Power Process

Power Development Fund

The IRG financial consultant took the primary role in developing and revising all documents relating to the Power Development Fund and the selection process for a PDF administrator. He also coordinated the discussion regarding the process.

The Request for Proposals for Power Development Fund Administrator and the Administration Agreement were reviewed and revised in light of on-going discussions with DOED and the World Bank. The September 1999 and November 1999 visits of the financial consultant were largely devoted to re-writing the versions of the documents prepared by Acres. Short-listing documents and the RFP for PDFA were submitted to DOED, forwarded to MOWR, and sent to the World Bank.

The financial consultant extensively reviewed and revised documents for short-listing candidates for Power Development Fund Administrator and selecting the administrator. These documents were presented to DOED in December for transmittal to the MOWR. In January, they were sent to the World Bank.

In January 2000, IRG staff met with World Bank personnel in Washington to discuss the PDF Administrator documents. A concurrent DOED request was informally presented to the Bank, to the effect that final selection of the fund administrator be made on a least-cost basis. The RFP was subsequently revised to incorporate this concept.

Several significant issues about the fund had been addressed in co-operation with HMGN and the World Bank. These included the process for short-listing candidates for administrator, selecting the administrator from among qualified applicants, the process and timing for establishment of the fund, the size of the fund, the operation and flow of funds involved in its operation, and issues affecting operating costs.

In May 2000, the advertisement notice for selection of the PDFA had been completed to the satisfaction of DOED and the Bank and was published requesting interested parties to submit Expressions of Interest (EOI) by August 11, 2000. By the end of the reporting period, DOED had begun receiving EOI's and was ready to continue the process by producing a short-list of firms.

IRG staff provided advice and assistance in the resolution of differences between DOED and the World Bank to help facilitate timely establishment of the fund.

BOOT Hydro Projects

During the reporting period two hydropower projects: Kabeli-A and Rahughat Khola were selected for private development. The IRG team is aiding and guiding the process of selection of developers for the two projects. RG staff developed documents related to the World Bank procurement process.

World Bank comments, on the March 16, 1999 draft of the Request for Qualifications for Development of Hydro Projects by BOOT Method, were received during the period. After several iterations involving revisions and review by the World Bank and HMGN, the

advertisement was published requesting Expressions of Interest in the Development of these two projects in June 2000. By the end of the reporting period, the full RFQ documents referred to in the advertisement were still under revision, suggesting that the deadline for EOI's may have to be extended.

Mr. John Osborne is developing a model Hydropower Project Agreement. He is also revising a model Power Purchase Agreement of Independent Power Producers. These documents will be appendices to the RFP documents.

Building DOED's Capacity to Improve Environment for Private Investment in Private Power

Efforts continue to be made to bring together officials of the several electricity sector agencies in discussion seminars, smaller meetings, and informal settings for DOED to take the lead in facilitating communication within the sector.

The most specific such efforts proposed by this project to facilitate these goals are in connection with the suggested approach to the one-window operation as discussed below and related public information programs under the environmental tasks.

A proposed new hydropower development policy for Nepal was prepared by Mr. Daud Beg and presented to DOED early in July 1999, and that was one of the inputs considered by the government established later in the year to draft a new policy. Working drafts were in Nepali, but an English translation of draft No. 10 was provided in February 2000 and a full day workshop held to discuss that draft on February 21, 2000. At the workshop, Mr. Nichol and Mr. Beg gave comments on draft 10.

There is room for improvement on the part of all participants in hydropower development, but there also is widespread agreement that DOED's "one-window" facility does not meet the expectations of developers and investors. Discussions with knowledgeable individuals suggest that the most promising solution is in the direction of greater cooperation, based on more complete understanding of the goals of hydropower development, the process, and the importance of successful development to Nepal.

Working on these lines, an approach to improvement of the "one-window" operation of DOED, and of the climate for private investment generally, was presented to DOED in discussion and was well received. The bases include the observations that, while there are all too many examples of poor cooperation on all sides, it also seems clear that the level of understanding of the process and the clarity and efficiency of the government roles need much improvement. This plan therefore would be centered on an information program aimed at greater cooperation from all levels in various ministries. This would be sought by emphasizing, with high-level support:

- The importance of successful hydro development to Nepal;
- The importance of actions by each individual in creating and maintaining a good climate for investment and project implementation; and
- Providing information and training to foster better understanding of the hydro development process and the role of each agency in facilitating successful development.
- This approach now needs to be carried forward into an actual program to be carried out primarily by DOED personnel. This is planned for the next reporting period.

Multi-purpose water-use models to more fully understand downstream benefits.

In preparation for a planned visit by a DE&S modeling specialist, discussions have been held with DOED personnel to clarify DOED's capability and requirements for water use and basin models. The PEP ProBen model was demonstrated briefly by DOED, and its characteristics and uses discussed. A seminar discussion on use of models in water resource planning is planned.

Training.

Training activities are reported under Task 6 below.

DOED in an International Setting.

Senior DOED personnel are quite capable in preparing and presenting illustrated talks on hydropower development opportunities in Nepal in front of international audiences in Nepal and abroad. During the period, project staff assisted the Director General of DOED in preparing his presentation to the USEA-sponsored South Asia Regional Energy Forum in Kathmandu and several other presentations to contractor and specialty groups.

TASK 2: Improve DOED Procedures to Manage the Private Power Solicitation and Award Process

One Window System.

- A general assessment of functions and organization of DOED, with related recommendations, was presented to DOED in the second half of year one. These recommendations were used in discussions of organization and policy within HMG/N in the current period. Many of the recommendations presented in the assessment were taken as very valuable and are being incorporated in the development of DOED.
- Through the extensive work the IRG team has done in the development of necessary documents and guiding the processes of establishing a PDF administrator and selecting developers for the BOOT hydro process, many of the elements of the one-window system have been implemented.
- As is more fully described under Task 4 and 5, much has been done in improving and at the same time simplifying the EIA process, changes that are essential to a comprehensive one-window system.

Re-Evaluations and Modifications of the requirements for issuing licenses

- The hydroelectric licensing specialist made two trips during the current period for detailed review and analysis of applicable policy, legislation, and regulations in relation to the needs of Nepal; examination of the relationship between licensing and the EIA process; and identification of issues.
- Preparation of a handbook for applicants for license was discussed with DOED and agreed upon in principal. The first draft of the handbook was prepared and discussed with DOED to explain and facilitate the process for private developers.
- Among the identified issues is the specific treatment to be accorded the licensing process for projects where the developer has been selected through the international competitive bidding process, as opposed to the unsolicited application process
- Contributions made through changes being made to the EIA process pre- and post-construction are shown under task 4 and 5.

Fees to fund hydropower

- Funding of DOED's operations and management flexibility within DOED clearly inhibit the organization from carrying out its mandated tasks.
- Alternative models have been identified, and preliminary discussions of them have been held with DOED. Existing Venezuelan agencies, which could be used as potential models, have been discussed with the legal advisor.
- Dedication of fee revenue to the use of a specific agency, such as DOED, appears to be either difficult or perhaps impossible under existing legislation. The wisdom and practicality of proposing legislative changes in these respects are matters for discussion.
- Accordingly, the indicated recommendation is not to pursue a fee system at this time.

Design, safety and procedural guidelines for hydroelectric projects.

Two DE&S engineering specialists visited Nepal from mid-July 1999 to discuss with DOED and initiate work on the technical standards. General agreement was reached on the purpose and form of the standards, which are seen as a combination of performance specifications and guidelines. The guidelines will benefit from the existing standards formally established or in common practice in Nepal as well as from those established internationally. The intended legal status of the resulting standards is not yet clear, but they are intended for use in the forthcoming international competitive bidding process and perhaps, later, as gazetted standards applicable to all hydropower and river project development in Nepal.

The two DE&S specialists returned in December 1999 for detailed joint review and discussion of the draft with DOED. An additional trip to re-evaluate the exact requirements for standards is being planned for early 2001.

TASK 3: Identify and Address Constraints

Training to DOED and NEA staff on calculating electricity tariffs

- The tariff specialist made three trips to Nepal during the period, concentrating on analysis and evaluation of the Nepal's particular existing situation relating to establishment of electricity tariffs. Principal contacts were with the tariff chairman, tariff commission staff, DOED, and the planning department and tariff design staff of NEA. A major rate increase was under discussion during this period. The tariff specialist provided related advice primarily in discussion sessions as above.
- Plans were made for direct training sessions in tariff calculations to begin in the forthcoming period.

Developing Options for improving private sector involvement in power generation..

- A discussion draft of a proposed revised Nepal standard power purchase agreement (May 1999) was prepared and is under review.
- A discussion draft of a revised Nepal hydropower policy (June 1999) was prepared. It is under review and also has been submitted to DOED for review. This document was provided by DOED as part of input for the interagency committee working on a proposed new hydropower development strategy.

Foreign exchange coverage for purchase of power generated by the private sector.

- The financial specialist visited Nepal in July 1999 to begin work on the question of future availability of foreign exchange to meet HMGN commitments for convertibility under

project agreements related to power purchase agreements. This was approached primarily through interviews with knowledgeable individuals from government and private sector and review of the limited amount of available data. The conclusion indicated that HMGN is likely to be able to carry the capacity expansion of 100 to 200 MW of independent power projects, under present and foreseen conditions and in addition to those now approaching completion. A report was prepared in draft form and is being review at the end of the reporting period.

- All sources agree, however, that the foreign exchange balance, while carefully managed by the Ministry of Finance, will depend on foreign assistance until there is a significant improvement in export earnings.
- Successful implementation of one or more power export projects would be such a change for the better, as would other increases in export revenues or remittances. These conclusions were presented to DOED leaders in discussions and a preliminary report.
- Subsequently, the financial consultant found significant additional sources of information and related activities by others on his visit to Nepal early in 2000. These will be incorporated in an updated report on this subtask in the forthcoming period.

TASK 4: Develop DOED Capability to Manage the Environmental and Social Impact Analysis Process

Managing the EIA process

- Five Initial Environmental Examinations were reviewed by DOED:
 - Indrawati III - Panchkhaal 66 kV T/L Terms of Reference (TOR),
 - Piluwakhola Hydroelectric Project TOR,
 - Indrawati III - Panchkhaal 66 kV T/L IEE Report,
 - Daramkhola Hydroelectric Project (TOR),
 - Piluwakhola Hydroelectric Project IEE Report
- Eleven Scoping Documents were reviewed by DOED
 - Chepang-Kohalpur 132 kV T/L (Bheri-Babai HP),
 - Pathalaiya-Parwanipur 132 kV T/L,
 - Lower Modi Khola Hydroelectric Project,
 - Upper Modi Khola Hydroelectric Project,
 - Madi-1 Hydroelectric Project,
 - Trishuli Khola Hydroelectric Project,
 - Revised (route changed) Syuchatar-Budanilkantha 132 kV T/L,
 - Kulekhani III Hydroelectric Project,
 - Middle Marsyangdi Hydroelectric Project,
 - Pancheswor Multipurpose Project, Khudi Hydroelectric Project.
- Ten Terms of Reference were reviewed by DOED.:
 - Chepang-Kohalpur 132 kV T/L (Bheri-Babai HP),
 - Lower Modi Khola Hydroelectric Project,
 - Upper Modi Khola Hydroelectric Project,
 - Madi-1 Hydroelectric Project,
 - Trishuli Khola Hydroelectric Project,

- Revised (route changed) Syuchatar-Budanilkantha 132 kV T/L,
 - Kulekhani III Hydroelectric Project,
 - Middle Marsyangdi Hydroelectric Project,
 - Pancheswor Multipurpose Project,
 - Khudi Hydroelectric Project.
- Five Environmental Impact Assessment reports were reviewed by DOED:
 - West Seti Hydropower Project EIA,
 - Lalpur-Gaddachowki 132 kV T/L,
 - Hetauda-Bardaghat 220 kV T/L,
 - Middle Marsyangdi Hydroelectric Project in October 1999 (not according to the Regulation),
 - Nyadi Hydroelectric Project in October 1999.

Development of guidelines for improving the EIA process

- A 1-day SWOT analysis inter-agency workshop on the EIA process for hydropower projects in Nepal was held in March 2000. The proceedings were published in June 2000.
- Draft Scoping guidelines for EIAs of hydropower were prepared. A scoping matrix was developed as part of these guidelines
- Draft TOR guidelines for EIAs of hydropower were prepared.
- The Draft Scoping and TOR guidelines were circulated and a 2-day inter-agency workshop was held in May 2000 to discuss them.
- Draft review guidelines with notes on EIA report preparation for hydropower environmental and social impact assessments, were prepared by the EIA team. The review guidelines will be circulated and discussed in an inter-agency workshop to be held late in 2000 or early in 2001.
- The final versions of all guidelines will be sent through DOED to MOWR for official approval for use and to initiate the gazetting process.
- A preliminary review was made of the existing rating and ranking systems used to evaluate hydropower projects in Nepal. It was found that they have serious flaws and are open to manipulation.
- Draft preliminary guidelines on public consultation were prepared.

Public Information Center

- Following on the provision of equipment and furniture by the project in the first year, a room has been designated by DOED as the public information center (PIC). It contains basic furniture, a computer, and bookshelves with reports related to hydropower. One DOED staff member has been designated to run the Public Information Center. Further training for this staff member at Tribhuvan University Library is planned for year three.
- Budget realignment has been included in the final year work plan for purchasing additional furniture, computers and bibliographic material for the PIC.
- A web site has been set up for DOED.
- A database of Nepali Legislation relevant to hydropower development was prepared for use on the DOED web site.
- A one half-day training course was given to 14 staff of DOED on how to use the internet.

TASK 5: Improve HMGN Procedures for Conducting and Reviewing Environmental and Social Impact Assessments

Reviewing EIAs

- Draft review guidelines for IEE, Scoping, TOR and EIA report were prepared. These guidelines will be circulated and a workshop held to discuss them in year three. The final versions will be sent through DOED to MOWR for official approval for use and initiation of the gazetting process.

NGOs and hydropower development

- The list of NGOs and INGOs prepared during year one was updated, and transferred to a database.

Public consultation

- Six public hearings held on-site before construction starts were attended by DOED environmental team members:
 - Kaligandaki Hydropower Project,
 - Reservoir site of the West Seti Hydropower Project,
 - Transmission lines site of the West Seti Hydropower Project,
 - Khimti Hydropower Project,
 - Upper Bhote Koshi Hydropower Project,
 - Ilam Hydropower Project
- Nine public consultation and/or review meetings held off-site were attended by DOED environmental team members before construction starts.
 - Review meeting of the scoping and TOR documents of the Nyadi Hydropower Project,
 - Review meeting (Kathmandu) for the West Seti Hydropower Project,
 - Review meeting of the scoping document and TOR of the Thulo Dhunga Hydropower Project,
 - Review meeting of the EIA report of the Nyadi Hydropower Project,
 - Review meeting of the EIA report for Lalpur-Gaddachowki 132 kV T/L,
 - Review meeting of the scoping and TOR documents of the Lower Modi Khola Hydropower Project,
 - Review meeting of the scoping and TOR documents of the Upper Modi Khola Hydropower Project,
 - Review meeting of the scoping and TOR documents of Chepang-Kohalpur 132 kV T/L,
 - Review meeting of the Scoping for Modi-1 Hydroelectric Project in May 2000 looking toward the development of a public outreach plan, the EIA team reached the conclusion that the existing system would primarily reach, and therefore favor, the English-speaking elite. Literacy levels in rural Nepal are low (34%), and not all rural Nepalis speak Nepali. The outreach plan will attempt to address this need for effective communication to a larger share of the population.

- Public consultation was included in the July and December 1999 SchEMS training courses and some representatives of NGOs attended the July course.

National water standards for hydropower projects

- Existing national and international water standards for hydro plants were reviewed.
- Draft water quality guidelines for use in Nepal were prepared. These guidelines will be circulated and a workshop held to discuss them in year three. The final versions will be sent through DOED to MOWR for official approval for use and initiation of the gazetting process.

TASK 6: Training

Many of the efforts under the training task are relating to individual tasks 1 through 5. Courses, workshops, presentations, discussion sessions, and training materials are included. The IRG team members administered much of the training described below. Training sessions, conferences, etc. attended by DOED staff with the assistance of the IRG team are also described.

Twenty-one presentations, detailed discussions and training sessions were led by the IRG-PSHDP team. Additionally, DOED staff received other training. The sessions included:

Examples of environmental self-monitoring by industries, Shekeb Afsah - July 1999

Public Consultation, Shekeb Afsah - July 1999

Technical standards in hydro development including water standards, Ron Grady - July 1999

Training Workshop on Regulation & Institutional Development, Mary Webster – July 1999

Training materials for Technical Approach and Guidelines for BOOT Hydro, Duke – July 1999

Electricity Pricing Workshop – Cost & Tariff Methodology, August 1999

Training Materials on Implementation of Hydropower Development Regulatory Scheme, Laurel Heacock – September 1999

Implementation of BOOT hydro projects, Oswaldo Juvier - August 1999

Nepal Hydro in SARI Context, L.D. Nichol and Dr. Stefan Gorzula – August 1999

Working sessions on NEA approach to tariff calculations and rate design, Hasso Bhatia - November 1999

Working sessions on HMGN foreign exchange capability, Ken Lussier - September 1999

Hydroelectric licensing and developer expectations, Laurel Heacock - September 1999

Formal PDFA Discussions, Ken Lussier, November 1999, Working Sessions on short-listing documents, and PDFA RFP. The beginning of Mr. Lussier's formal training sessions

on financial analysis and financing arrangements of projects was delayed because of the need for renewed effort on documents for short-listing and selection of the Power Development Fund Administrator.

Detailed discussions of proposed technical standards, Ron Grady, John Northrop, Laurel Heacock - December 1999

EIA Training, July 1999, Six members of the project team were trainers or presenters for an EIA training course at the School for Environmental Management and Sustainable Development (SchEMS). The national press and TV covered this event.

Dr. Ram Khadka, Mr. Sudesh Malla, Prof. Govind Ghimere, Dr. Stefan Gorzula, Mr. Shekeb Afsah

Internet Training by Dr. Gorzula, A one half-day training course was given to 14 staff of DOED on how to use the internet.

EIA Training, December 1999, Five members of the project team were trainers or presenters for a similar EIA training course at SchEMS. Dr. Ram Khadka, Mr. Sudesh Malla, Ms. Laurel Heacock, Dr. Stefan Gorzula, Mr. Daud Beg. Additionally, one member of DOED staff received training at the second SchEMS course. The draft EIA scoping guidelines established under Task 4 were used as the basis for teaching approaches for this training which was conducted for staff of the Ministry of Population and Environment (MOPE).

International Symposium, September 28-30, 1999, Attendance of four DOED geologists and engineers was sponsored for the International Symposium on Engineering Geology, Hydro-geology and Natural Disasters with emphasis on Asia, held in Kathmandu.

Workshop on Hydropower Regulation & Overall Climate for Private Investment, L.D. Nichol - February 28, 2000

Utility Regulation Expectation, Mary Webster – March 4, 2000

EIA – SWOT, March 10, 2000

6. Additional Comments and Recommendations

DE&S Subcontract

After their visits in December 1999, the DE&S staff called for a different strategy in the approach to their part of the project. They found a need for a significant amount of time to be spent in their US offices in order to have access to the extensive resources available there.

Though their request was not granted in full, this and other factors regarding overall project approach has incited a change in strategy for future DE&S trips. Though the planning is being done at the end of the reporting period, trips by two or three of the consultants is expected toward the beginning of the next reporting period. The focus of the trip may have changed based on some input expected from DOED and local hydro engineering people on what areas one should focus on for the standards. Developing a full set of standards for all aspects of hydropower plant construction is beyond the scope of this project. A specific strategy will be developed early in the next reporting period.

US Based Consultants and IRG Staff

The need for other consultants to work in their home offices in the US has also been demonstrated. Those needs fall into several categories, but they have common elements in that small amounts of time by their nature have to be spent in the U.S., or on-going consultation is needed with individuals already familiar with and well introduced to the project. Examples are: (1) On a few occasions we have been requested by the World Bank, to the knowledge of the USAID mission, for U.S.-based personnel both to meet with World Bank staff in Washington and to prepare or revise draft materials. All such cases have involved documents for the World Bank's proposed Power Development Fund under our subtask 1.1. (2) We have sometimes been asked by DOED, in relation to USAID-approved policy-level visits to the U.S., to accompany DOED and HMGN officials to meetings and on field visits. This variously may involve IRG home office staff, subcontractor personnel, or independent consultants. (3) We have frequent need to consult with members of our project team about materials prepared by the individual that are under review or about related new matters or documents under consideration. Some of these are continuing items, but others may arise on short notice. It is not practical, nor in most cases possible, to bring the individuals here for short, quickly scheduled visits or to postpone the item in question until a later scheduled visit. (4) Specific preparation for short-term visits, particularly gathering materials to meet identified project-specific needs may be an appropriate use of project time to facilitate work after the visitor arrives.

In our further discussion with USAID under the preceding item, we hope to achieve agreement on the appropriateness and procedures for use of limited amounts of consultant time in the U.S. for specific purposes as defined in each individual situation.

METCON Subcontract

As noted above, the participating METCON consultants, Professor Govind Ghimere, Mr. Bharat Sharma, and Mr. Shekhar K. Shrestha, plus independent consultant Dr. Ram B. Khadka, have worked very effectively with project staff and DOED personnel. The budget for the METCON personnel plus Dr. Khadka is the amount of the approved subcontract with METCON Consultants.

Projecting from the end of the reporting period through project completion, we foresee that it would be useful and to the benefit of the project to increase the budget available for Professor Ghimere, Mr. Sharma, and Dr. Khadka. This would be, as at present, for their work under the environmental tasks 4 and 5 and related training functions. Any such increase would not increase the total budgets for CLINs 4 and 5. It would, however, require an increase in the approved amount of the subcontract with METCON and the separate agreement with Dr. Khadka and thus would be in the nature of a line item adjustment. Accordingly, we are evaluating the possibility to increase that limiting amount through a request to USAID.

7. Personnel, Cost, and Performance Tables

Table 1. Short-term expatriate technical assistance

Table 2. Cost summary by CLIN

Table 3. Percent Completion by CLIN as of July 31, 2000

Table 4. Percent Completion by Subtask as of July 31, 2000

TABLE 1 – Short Term Expatriate TA

SHORT TERM EXPATRIATE TECHNICAL ASSISTANCE IN YEAR TWO						
<u>Name</u>	<u>Arrival Date</u>	<u>Departure Date</u>	<u>Length of Stay (days)</u>	<u>Principal Task Number(s)</u>	<u>Assignment</u>	
Mr. Shakeb Afsah	07-Jul-99	25-Jul-99	18	4 & 5	Public consultation	
Mr. David Anderson	13-Jul-99	30-Jul-99	17	5.3	Water standards	
Mr. John Northrop	13-Jul-99	30-Jul-99	17	1.3	Design standards	
Dr. Hasso Bhatia	17-Jul-99	30-Jul-99	13	3.2	Training in tariff calculations	
Mr. Ken Lussier	18-Jul-99	06-Aug-99	19	3.1	Financial analysis	
Mr. Ron Grady	21-Jul-99	30-Jul-99	9	2.2	Design standards	
Mr. Osvaldo Juvier	24-Jul-99	10-Aug-99	17	1.2	BOOT hydro RFP	
Dr. Hasso Bhatia	21-Aug-99	25-Aug-99	5	3.2	Training in Tariff Calculations	
Mr. Kenneth Lussier	28-Aug-99	11-Sep-99	14	3.4	Financial Analysis	
Ms. Laurel Heacock	16-Sep-99	08-Oct-99	22	2.2	Handbook for Developers	
Mr. Kenneth Lussier	10-Nov-99	10-Dec-99	30	3.4	Financial Analysis	
Mr. Thomas Gross	10-Nov-99	21-Nov-99	11	1&2	PDF Documents	
Dr. Hasso Bhatia	11-Nov-99	19-Nov-99	8	3.2	Training in Tariff Calculations	
Mr. Ron Grady	30-Nov-99	10-Dec-99	10	2.4	Design Standards	
Mr. John Northrop	30-Nov-99	10-Dec-99	10	2.4	Design Standards	
Mr. Daud Beg	01-Dec-99	20-Dec-99	19	1.1, 1.4, 1.7	SARI, One-Window, PDF	
Ms. Laurel Heacock	02-Dec-99	18-Dec-99	16	2.2	Handbook for Developers	
Mr. Kenneth Lussier	15-Jan-00	06-Feb-00	22	6	Trng. in Financial Analysis	
Mr. Kenneth Lussier	26-Feb-00	17-Mar-00	20	6	Trng. in Financial Analysis	
Ms. Mary Webster	01-Mar-00	15-Mar-00	14	6	Trng. in Regulatory Procedures	
Mr. Shakeb Afsah	02-Mar-00	18-Mar-00	16	5	Public & NGO Participation	
Dr. Hasso Bhatia	11-Mar-00	18-Mar-00	18	3.2	Trng. in Tariff Calculations	
Mr. Paul D. Lavigne	23-Mar-00	29-Apr-00	38	1.7.6	Investors and Developers Database	
Ms. Mary Webster	02-Apr-00	27-Apr-00	26	3 & 6	Semi-annual Report, Year3 workplan	
Mr. Kenneth Lussier	02-May-00	12-May-00	11	1&2	PDF	
Mr. Tom Gross	03-May-00	13-May-00	10	1&2	Administrative Agreement	
Mr. Kurt Adams	01-Jun-00	09-Jun-00	8	1&2	PA & PPA	
Mr. Jim Guy	07-Jun-00	26-Jun-00	19	1 & 2	RFP & Workplan	
Mr. Daud Beg	01-Jun-00	13-Jul-00	43	1 & 2	BOOT Hydro, PDF	
Mr. Lee Wang	24-Jun-00	19-Jul-00	24	All	COP functions	
Mr. Kenneth Lussier	01-Jul-00	25-Jul-00	25	1	PDF Administrator Documents	
Mr. John Osborne	30-Jun-00	16-Jul-00	17	1	PA & PPA	
Mr. Kenneth Lussier	12-Aug-00	09-Sep-00	29	1	PDF	

TABLE 2 – Cost Summary

Private Sector Hydropower Development Project USAID Contract No. 367-C-00-98-00071-00 COST SUMMARY BY CLIN (Contract Line Item)					Period Covered	
					From	To
					July 31, 1999	July 31, 2000
<u>Original Budget Amount</u> <u>Per Contract Section B.4</u>	<u>CLIN</u>	<u>Realigned Budget</u>	<u>Amount Claimed Previously</u> <u>Per invoice dated 31 Jul. 1999</u>	<u>Total Claimed to Date</u> <u>Per invoice dated 31 Jul. 2000</u>	<u>Balance</u>	<u>Percent Budget Claimed</u>
697,171	Lin 001	868,161.00	405,098.89	637,896.09	234,274.91	73.5%
597,941	Lin 002	597,940.00	132,843.34	323,912.72	274,027.56	54.2%
341,971	Lin 003	631,776.00	138,132.94	349,825.41	285,951.59	55.4%
579,777	Lin 004	467,901.00	106,225.52	236,336.29	231,565.71	50.5%
606,098	Lin 005	482,259.00	111,484.06	256,779.69	225,477.31	53.2%
634,480	Lin 006	376,391.00	78,507.96	208,188.82	168,201.18	55.3%
<u>125,441</u>	<u>Lin 007</u>	<u>158,442.00</u>	<u>89,312.18</u>	<u>91,637.55</u>	<u>58,803.45</u>	<u>57.8</u>
3,582,879	Subtotal	3,582,878.00	1,061,604.88	2,104,576.56	1,478,301.72	58.7%
<u>232,887</u>	Lin 008 Fee	<u>232,886.00</u>	<u>64,463.06</u>	<u>126,112.24</u>	<u>106,774.16</u>	<u>54.2%</u>
3,815,766	Total	3,815,756.00	1,126,067.93	2,230,688.80	1,585,075.88	58.5%

TABLE 3 - Percent Completion By CLIN as of July 31, 2000

CLIN	Title	Estimated Percent Resources	Estimated Percent Complete
01	Develop DOED Capability to Manage the Private Power Process	73.5%	57.1%
02	Improve DOED Procedures to Manage the Private Power Solicitation and Award Process	54.2%	67.5%
03	Identify and Address Constraints	55.4%	65.0%
04	Develop DOED Capability to Manage the Environmental and Social Impact Analysis Process	50.5%	63.0%
05	Improve HMGN Procedures to Conduct and Review EIA/SIA	53.2%	61.2%
06	Training	55.3%	67.5%
	Total LOE Tasks	56.2%	62.9%
07	Commodity purchases	57.8%	57.8%

TABLE 4
Percent Completion by Subtask as of July 31, 2000

Subtask Number	Subtask Description	Percent Complete
CLIN 1 - Develop DOED Capability to Manage the Private Power Process		
T 1.1	Develop DOED capability to support Power Development Fund	60.0%
T 1.2	DOED capability to prepare & issue RFQ's & RFP's & review responses	70.0%
T 1.3	DOED as liaison between all involved w/approval of Private Power Agreements	65.0%
T 1.4	Develop a set of milestones to be met, and prepare training on evaluating contractor progress	60.0%
T 1.5	Multi-purpose water-use models & downstream benefits	25.0%
T 1.6	Training in legal, financial, regulatory, eng., environmental. & social.	60.0%
T 1.7	Capability to promote private hydro development & attract add'l investments	60.0%
CLIN 1		57.1%
CLIN 2 - Improve DOED Procedures to Manage the Private Power Solicitation and Award Process		
T 2.1	Identify constraints on process under "one window"	70.0%
T 2.2	Re-evaluate licensing requirements & recommend modifications	65.0%
T 2.3	Assess potential for DOED fee/revenue system	100.0%
T 2.4	Develop design, safety, and procedural guidelines for hydro projects.	35.0%
CLIN 2		67.5%
CLIN 3 - Identify and Address Constraints		
T 3.1	DOED capability w/r legal, regulatory, financial, & institutional issues	60.0%
T 3.2	Training in tariff calculations	100.0%
T 3.3	Continue to identify policy issues w/r pvt sector hydro involvement	50.0%
T 3.4	Assess GON capability to provide foreign exchange coverage	50.0%
CLIN 3		65.0%

Table Continued on Next Page

TABLE 4
Percent Completion by Subtask as of July 31, 2000
(Cont.)

Subtask Number	Subtask Description	Percent Complete
CLIN 4- Develop DOED Capability to Manage the Environmental and Social Impact Assessment Process		
T 4.1	Capacity to design scopes for EIA's and SIA's	70.0%
T 4.2	Capability to review & assess EIA's, SIA's, & mitigation measures	60.0%
T 4.3	Guidelines for involving stakeholder groups	60.0%
T 4.4	Auditing/monitoring standards.	55.0%
T 4.5	Improve environmental & social soundness of hydro investments	70.0%
CLIN 4		63.0%
CLIN 5 – Improve HMGN Procedures for Conducting and Reviewing Environmental and Social Impact Assessments		
T 5.1	Review hydro guidelines for EIA's and SIA's .	80.0%
T 5.2	Methods & training on review & evaluation of EIA's and SIA's,	70.0%
T 5.3	National water standards for hydro	55.0%
T 5.4	Work with NGO's on EIA and SIA process; increase participation	40.0%
CLIN 5		61.2%
CLIN 6 – Training		
T 6.1	Training needs assessment	100.0%
T 6.2	Develop annual training plans	100.0%
T 6.3	Final training needs assessment	50.0%
T 6.4	Communications workshop	20.0%
CLIN 6		67.5%
ESTIMATED OVERALL WEIGHTED PERCENT COMPLETE		62.9%

Section II - Cognizant Technical Officer's Comments

AGENCY FOR INTERNATIONAL DEVELOPMENT MISSION TO NEPAL

IRG's second annual performance report very well describes the activities and highlights for the reporting period. The second year's efforts continued to be very relevant, appropriate, productive and essentially on schedule.

The report gives an accurate sense of progress accomplished during the reporting period. Based on this report, I would like to commend IRG for accomplishments reported and for catching up on areas they were behind in year one. The main reason for this catch-up was the relentless efforts made by IRG towards the establishment of the Power Development Fund and getting concurrence from both the World Bank and the GON on finalizing the series of documents needed to move this vital component. IRG exercised immense patience in doing so and the result is that both the Bank and the GON have moved closer to approving the Borrower's Implementation Plan, the TOR for the Fund Administrator and the RFQs and RFPs needed to establish the Fund.

Comments by DOED on IRG's performance during the reporting period were generally positive and the transition from the old to the new Chief of Party took place with minimum disruption. The working relationship between DOED and IRG seemed to have improved considerably since the new Chief of Party assumed office.

I look forward to continuing the good working relationship which IRG and the DOED have created and in successfully executing the tasks planned for year three of Special Objective-4.