

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

USAID-GON•SO6 - Increased Private Sector Participation in Environmentally and
Socially Sustainable Hydropower Development

SEMI-ANNUAL REPORT #5

January 1, 2004 through June 30, 2004

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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Contractor Information

Contractor: International Resources Group, Ltd.
1211 Connecticut Avenue NW
Washington, DC 20036
Phone 1-202-289-0100; Fax 1-202-289-7601
Website: www.irgltd.com

Department of Electricity Development Building
Anam Nagar, Kathmandu
Phone: 977-1-447 4174; Fax 977-1-447 8085
E-mail: pshdp@wlink.com.np and individual sub-accounts

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

Reporting Period: January 1, 2004 through June 30, 2004

Acronyms and Abbreviations

AA	Administration Agreement
ADB	Asian Development Bank
AIP	Activity Implementation Plan
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)
IPP	Independent Power Producer
IPPAN	Independent Power Producer's Association of Nepal
IR	Intermediate Result
IRG	International Resources Group, Ltd
LTTA	Long-term Technical Assistance
MOPE	Ministry of Population and Environment
MOWR	Ministry of Water Resources
NCL	Nepal Consult Ltd
NEA	Nepal Electricity Authority
NERC	Nepal Electricity Regulatory Commission
NHMS	Nepal Hydropower Management System
NORAD	Norwegian Agency for Development
PDF	Power Development Fund
PPA	Power Purchase Agreement
PSHDP	Private Sector Hydropower Development Project
RFP	Request for Proposal
RFQ	Request for Qualification
SO	Strategic Objective
SOT	Strategic Objective Team
TA	Technical Assistance
USAID	U. S. Agency for International Development
WEC	Water and Energy Commission
WECS	Water and energy Commission Secretariat

SECTION I – Contractor’s Report

I.1. Summary and Highlights of Activities

A. Introduction

Primary objective of International Resources Group’s (IRG) 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 US Agency for International Development (USAID) – GON Strategic Objective 6 (SO6).

The current contract is referred to as Private Sector Hydropower Development Project – 2 (PSHDP-2). The scope of work under PSHDP-2 comprises 26 interrelated activities to support SO6. To facilitate management and improve resource use efficiency, IRG has divided these 26 activities under the following six broad categories:

- Policy, Legal, Regulatory, and Institutional Strengthening;
- Power Marketing;
- Project Finance;
- Public Outreach;
- Environmental (and Social) Impact Assessment; and
- Training Support.

In order to manage these activities, IRG developed 13 Activity Implementation Plans (AIPs). As agreed to with USAID and DOED, we used our AIP system to develop our work plan for 2004 (WP 2004). We have reported our progress in this report using the same AIP system. We have related 26 contract activities to the AIPs for ease of reference to our contract requirements.

A summary of major accomplishments during the reporting period is provided below in Section B. 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

Major milestones, activities, and events during the reporting period are listed below.

- Coordinated with Asian Development Bank (ADB) consultants to prepare draft roadmaps for Nepal’s Power Sector with the GON Steering Committee for Power Sector Reform; The Steering Committee has approved, in principle, IRG roadmaps for reform of DOED and the Electricity Tariff Fixation Commission (ETFC) prepared and discussed in December 2003 (AIP 1.1, 1.2)
- Discussed details of our roadmap and specific issues with ETFC Chairman and MOWR legal officer to facilitate details of our roadmap to strengthen and develop ETFC into a full Nepal Electricity Regulatory Commission (NERC, AIP 1.1)

- Conducted 2nd Regulatory Tour with a Nepali delegation to Indian States in April 2004 (AIP 1.1)
- Reviewed current MOWR policy, plans, and funding and technical arrangements with donor communities to develop and manage a rural electrification program and conducted a workshop to discuss findings and initial recommendations on RE policies on April 5 with the Hon. Minister for Finance, GON agencies, and other stakeholders; submitted a draft report on Program Review and Development of Rural Electric Cooperatives in Nepal to GON agencies for review (AIP 1.1)
- Initiated discussion on roadmap for reform and strengthening of Water and Energy Commission (WEC) based on the Hydropower Development Policy, 2001 (HDP 2001) mandate and consistent with the ADB consultant's draft roadmap for overall power sector reform (AIP 1.1)
- Initiated legal support to GON agencies to legislate HDP 2001, draft laws for the NERC, and prepare amendments to Electricity Act (AIP 1.1, 1.2)
- DOED provided verbal approval of IRG's roadmap for reform/strengthening of DOED. IRG has initiated detailing of activities identified in the roadmap (AIP 1.2)
- Facilitated a meeting among Independent Power Producer's Association of Nepal (IPPAN), DOED, and IRG to explore opportunities for cooperation to develop DOED capability to facilitate project operation, maintenance, and safety inspections to be performed by DOED (AIP 1.2)
- Completed and installed the working version of the design and development of first-stage license management database system for DOED (AIP 1.2)
- Developed a draft Public Outreach Program in consultation with DOED and organized a workshop to discuss key messages for dissemination with stakeholders (AIP 2.1)
- Submitted final Manual on Public Hearings to DOED requesting MOWR approval to publish the manual (AIP 2.1)
- Draft Manual on Gender Participation in Hydropower Development was discussed in a workshop in February; the manual is being finalized (AIP 2.1)
- Provided technical assistance to the Power Development Fund (PDF) team to negotiate Administrative Agreement (AA) with the PDF Administrator; PDF Board signed the AA with the Administrator, Nepal Bangladesh Bank on June 30 (AIP 5.1)
- Continued discussions with local banks and IPPAN to mobilize local financing for hydropower development (AIP 5.1)
- Submitted final report on Initial Power Marketing to India and the long-term and short-term strategies reports (AIP 7.1)
- Supported the PDF Board and DOED to finalize the short-list of potential bidders and the Request for Proposal (RFP) to develop the BOOT project (AIP 8.1)
- Prepared a worksheet model to estimate potential distribution of royalty revenue to the DDCs and the development regions using GON's new formulas for greater local sharing of royalty revenues (AIP 11.1)
- Attended a workshop organized by USAID's SO5 (SAGUN Program) to discuss grass-root level issues on Environmental Impact Assessment (EIA) implementation and royalty distribution in hydropower developments (AIP 11.1)

- Submitted a draft report on effectiveness of training under PSHDP-2 to DOED and USAID for review; provided logistical arrangements for in-country and out-of-country training programs (AIP 13.1)
- Conducted a 5-day EIA training in cooperation with the Ministry of Population and Environment (MOPE)/ Norwegian Agency for Development (NORAD) in April (AIP 20.1)
- Draft manual on baseline data and impact analysis was submitted to stakeholders and discussed in a workshop in April (AIP 20.1)
- Closed out activity to develop Standards for Certification of EIA Professionals (AIP 20.1)
- Published the proceedings of 5-day EIA training course held in April 2003 (AIP 20.1)
- Completed an analysis on Nepal Electricity Authority's (NEA) development plans for TL corridors to identify alternative sites for conducting feasibility studies (AIP 26.1)
- Signed subcontracts with Butwal Power Company (BPC) and Nepal Consult (NCL) for conducting the feasibility study and Environmental Assessment of the Khare Khola and Maya Khola small hydropower projects respectively (AIP 26.1)
- BPC completed field reconnaissance for the Khare Khola project and has submitted the final Inception Report to include DOED/IRG review comments for the Khare Khola project (AIP 26.1)
- NCL has submitted a revised Inception Report for Maya Khola project addressing DOED/IRG comments in the first draft (AIP 26.1)
- Provided detailed response to USAID's request on activities of SO6, Special Objective 4, and Private Electricity Project in support of Policy Reform in Nepal's Power Sector (since 1995) as part of program performance monitoring

C. Opportunities, Constraints, Issues, and Recommendations

- Increased insurgency activities during the beginning of the year continued to slow down potential investment activity and fieldwork
- Signing of the AA between the PDF Board and the PDF administrator in late June is expected to provide an impetus to new private investment in hydropower development in the coming period
- Delay in the appointment a new Chairman of the ETFC because of retirement is likely to delay initiation of implementation of our regulatory training program for ETFC/DOED staff

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

As a measure of performance under this contract to support SO6, the following intermediate results (IR) are monitored:

1. IR 6.1- Improved enabling environment for equitable and sustainable hydropower development

2. IR 6.2 – 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 6.1 - Private financial commitments for hydropower projects, measured as cumulative investment amount in millions of US dollars.

Indicator SO 6.2 - 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.

Table 1 provides details of performance indicators monitored under SO 6.1 and SO6.2.

Analysis of Results

Although, investments in hydropower development for the year have exceeded USAID targets, a review of the type of investments for indicator IR 6.1 suggests a slowing down of overseas investment. A lack of significant movement in the development of 750 MW West Seti project despite the developer signing of a tentative Power Purchase Agreement (PPA) with the Power Trade Corporation of India may indicate possible difficulty in attracting large overseas investment under current political situation.

However, a significant local interest in small hydropower development and in rural electrification programs continues to maintain an upbeat environment for private sector investment. The signing of the AA for the PDF Administrator in June is expected to provide added impetus to both local and overseas investment in hydropower sector in the next several reporting periods.

Other indicators, particularly under IR 6.2 show continued growth and exceed target values.

Table 1: Performance Data Table – SO6

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		
SO6 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	360	400		445		Cumulative	
							4	25	8	12**	20	45	45		Incremental			
SO6 IR 6.1.1	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	42	35	55	40		45			
							7	8	8	10	10	13	12		14			
							6	7	6	8	14	10	18	12		14		
							6	7	8	8	9	10	10	12		14		
SO6 IR 6.1.2	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	293,390	151,400	372,007	164,000		177,000		Cumulative	
							10%	10%	10%	10%	10%	10%	10%		10%			

* As of June 2004

** Includes Khudi Khola (\$7M), Jhimruk repairs (\$3M), and Bhote Koshi and Khimti upgrades (\$2 M)

*** Stage 1: Survey license issued
 Stage 2: Generation license issued
 Stage 3: Completion of studies
 Stage 4: Financial closure/Power Agreement

Table 1: Performance Data Table – SO6 (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	
SO6 IR 6.2	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
SO6 IR 6.2.1	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	21	12	27	14		16		Cumulative
							1	3	2	11	2	6	2	2	2	Incremental	
SO6 IR 6.2.2	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	26	31		37		Cumulative
						2	1	2	6	4	2	6	6	6	Incremental		
SO6 IR 6.2.3	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	210	147	236	167		187		Cumulative

NOTE: SO6 Performance baseline and targets established by USAID on 2/22/2002

I.3. Administrative and Management Activities

A. Procurement and facilities

- Procured, delivered, and installed 10 desktop computers to DOED and other GON agencies
- Installed and commissioned radio-link internet connections at the main DOED building and annex.
- Continued to provide Information Technology (IT) support to DOED staff

B. Subcontracts

- Signed subcontract agreements with BPC and Nepal Consult for carrying out feasibility studies and EIAs for the Khare Khola and Maya Khola small hydropower projects respectively (CLIN 003).

C. Project personnel

- As of June 30, 2004, key resident staff included Krish Krishnan, Chief of Party, Rabin Shrestha, Senior Technical Advisor, and Rajya Laxmi Bajracharya, Project Administrator. Dr. Stefan Gorzula left Kathmandu on June 18, 2004 at the end of his long-term technical assistance (LTTA) assignment to the project.
- Identified a candidate for the position of Environmental Coordinator for IRG/N office through open selection and made a recommendation to DOED and USAID for concurrence with our selection.

D. Significant Meetings

- Strategic Objective Team (SOT) meeting on February 4 to discuss and approve Work Plan for 2004 (WP 2004)
- GON Power Sector Reform Steering Committee to discuss Asian Development Bank's (ADB) Technical Assistance (TA) on March 4, 19, and 25
- Meeting with IPPAN on March 29 to discuss O&M inspections
- Japan Bank for International Cooperation workshop on April 2 on Nepal Power Sector Reform
- Planning meeting on April 29 with USAID Director, USAID Program Office staff, and SO6 partners
- GON/ADB TA technical workshops and meeting on June 4 on Distribution reform and sector reform options
- Meeting with the Joint Secretary of Ministry of Local Development on June 9 to discuss GON's new formulas for greater local sharing of royalty revenues from hydropower projects
- PSHDP Progress meetings among IRG, DOED and USAID on June 18, 2004
- Regular project coordination meetings with DOED counterparts during the reporting period
- Several working sessions/meetings with DOED, NEA, WECS, MOWR, MOPE, Independent Power Producers (IPPs) and other stakeholders during the reporting period

E. Out-of-country Training

- Completed a second regulatory study tour of Indian states during April 19-25, 2004 with five senior members of GON agencies and USAID
- Two DOED senior engineers attended the Project Risk Management Course at Duke University, USA during May 17 – June 11, 2004

F. In-country Training

- Supported DOED senior engineers to attend technical Seminars of Nepal Geological Society events in Kathmandu
- Held a workshop to discuss draft Manual on Gender Participation in hydropower development on February 4, 2004
- Conducted a workshop on Public Outreach Program on March 26
- Conducted a 2-day workshop during May 6-7 to obtain stakeholder input on the draft Manual for Baseline Data, Mitigation Measures, and Monitoring for EIA for Hydropower Projects
- Conducted the 5-day EIA training program in cooperation with NORAD during May 10 - 17
- Conducted a 5-day training program for DOED, MOWR, WECS, and NEA staff on Generation Planning Concepts during May 24 – June 1, 2004

G. Field activities

- Attended with a Nepali Delegation an international conference on Power Trading in South Asia Today on April 21 in New Delhi organized by the US Chamber of Commerce
- Attended and provided significant input to USAID's SAGUN program workshop on April 22-23 on Environmental Issues and Revenue sharing in hydropower development in Nepal
- Supported DOED to exhibit website and publication prepared under SpO6 and SO6 at Electro tech 2004 exhibition in Kathmandu
- Provided and managed exhibits for USAID at the Nepal Bikash Bazar exhibition during May 4-6, 2004, held in conjunction with the Nepal Development Forum
- IRG subcontractor, BPC and NC conducted field reconnaissance as part of feasibility and EIA studies for Khare Khola and Maya Khola projects during May

I.4. Progress by AIPs

Following table provides output from the Nepal Hydropower Management System (NHMS) for monitoring progress of our activities. The NHMS output indicates progress for the year 2004 consistent with WP 2004.

International Resources Group Ltd.
PSHDP-2

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT- June 2004

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
AIP 1.1	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions Activity 4: Technical support to improve the "one window" mechanism Activity 16: Training Activities - Executive exchanges to promote energy reform consensus Activity 17: Training Activities -Study tours to Indian States to learn from various sector reforms.				
Activity 1	Finalize the draft roadmap to form the NERC	Final Roadmap	31-May-04	10-Apr-04	Draft accepted by GON
	Develop explanatory/procedural documents required for individual major steps in reform/strengthening ETFC/ NERC; MOWR, WECS (in stages)	Procedures, reports	31-Jun-05		Ongoing
	Draft amendments to Electricity Act and related laws for legislation of HDP 2001	Draft amendment	31-Aug-04		Ongoing
	Draft new law for NERC	Draft new law	31-Dec-04 (revised)		
	Draft amendments to laws and regulations as necessary	Draft amendment	31-Mar-05 (revised)		Ongoing
	Implement initial reform/strengthening of ETFC (NERC), MOWR, WECS, and other institutions	Training; Workshops procedures;	30-Sep-06		
	Complete due-diligence of existing laws;	Report; draft amendments	31-Oct-04 (revised)		
	Develop, review, and finalize roadmaps for reform/strengthening of MOWR, WECS	Final roadmap(s)	31-Sep-04 (revised)		Ongoing
Activity 4	Develop specific recommendations for implementation of one-window policy for licensing from EIA/SIA perspective	Recommendations/Draft amendments, draft Laws	30-Nov-04		
Activity 16	Interaction with peers in international forums;	OOC Study Tours, Intl conferences	31-Dec-05 (revised)		Deferred to 2005

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
Activity 17	Plan and organize second regulatory tour of Indian states	Study Tour	31-May-04	19-Apr-04	Completed
AIP 1.2	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions Activity 6: Improve DOED's capacity				
Activity 1	Finalize the draft Roadmap to Reform and Strengthen DOED	Final roadmap	31-Oct-04 (revised)	10-May-04	Draft accepted in principle by DOED; detailed comments awaited
	Develop explanatory/procedural documents required for individual major steps in reform/strengthening – DOED (in stages)	Procedures, reports	30-Jun-05 (revised)		
	Implement initial reform/strengthening of DOED	Training; W/Ss procedures;	30-Sep-06		
Activity 6	Assist in developing records management system; procure initial hardware	Record Management System; Hardware	30-Nov-04 (revised)		Ongoing
	Develop O&M and inspection procedures, training;	Procedures; OOC training	30-Nov-04 (revised)		Ongoing
	Develop and install working database system for licensing procedures	Database	31-Mar-04	20-Feb-04	Completed without financial module
	Database development training;	Training	31-Mar-05 (revised)		Pending DOED direction
	IT assistance/training	Training; Presentations	30-Sep-06		Ongoing
	Web-hosting assistance	Assistance activities	30-Sep-06		Ongoing
	Continue to develop and commission licensing database; review and enhance database operation	Database enhancement	30-Jun-06		Pending DOED direction
	Out of Country Training Activities - Project risk management course – Duke U., NC, USA - Generation Planning Model – ANL, IL, USA	Class room training Class room training	30-Jun-04 30-Sep-04	20-Jun-04	Complete Ongoing

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	<ul style="list-style-type: none"> - Renewable energy Conference – Denver, CO, USA - World Energy conference – Sydney, Australia - Project management training, Manila, Philippines - Environmental Economics - ICOLD 72nd Annual Meeting - IP3 – Public Awareness, Stakeholder Consultation, and Media Relations 	<ul style="list-style-type: none"> Intl. conference Intl. conference Class room training Class room training Intl. conference Class room training 	<ul style="list-style-type: none"> 30-Sep-04 30-Sep-04 30-Nov-04 31-May-04 30-Jun-04 31-May-04 		<ul style="list-style-type: none"> Ongoing Ongoing Initiated Cancelled Cancelled Cancelled
	<ul style="list-style-type: none"> In country Training Activities - Develop O&M and inspection procedures, training - Field EIA Training - Engineering, economic, financial evaluations training; project due-diligence; Generation Planning training) - Electricity pricing courses) - Negotiations skills - Assist in review of large, multi-purpose project studies - due-diligence training 	<ul style="list-style-type: none"> Checklists, manuals Field training Presentations, manuals Presentations, manuals Seminar/training Presentations, manuals Presentations, manuals 	<ul style="list-style-type: none"> 30-Nov-04 31-Dec-04 31-Dec-04 31-Dec-04 31-Dec-04 31-Dec-04 31-Dec-04 	24-Jun-04	<ul style="list-style-type: none"> Ongoing Planning Planning Completed Planning Planning Planning
AIP 1.3	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions				
	Review NEA reform roadmap – in consultation with ADB TA	Roadmap	30-Apr-04	10-Jun-04	Draft Completed
	With ADB TA, participate in a workshop with NEA, IPPs, and local cooperatives on private sector involvement in distribution	Workshop; proceedings	30-Apr-04	4-Jun-04	Completed
	Interface with ADB TA for power sector reform (with the main thrust of NEA reform)		30-Sep-04		Ongoing
	Work with ADB TA team and attend workshops on NEA/and Sector reform		30-Sep-04		Ongoing
AIP 1.4	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions				
	Review current GON policy, plans, and initiatives for Rural Electric Cooperatives	Presentation, report	31-Apr-04	5-Apr-04	Completed
	Site visit(s) to target areas/cooperatives to collect data, identify issues for development	Input to report	31-Apr-04	31-Mar-04	Completed
	Prepare report/presentations on study findings and recommendations for development of cooperative utilities /distribution entities	Draft Report	31-May-04	18-Jun-04	Under GON review
	Finalize RE report	Final Report	31-Aug-04 (revised)		
AIP 2.1	Activity 2: Facilitate policy dialogue between GON and civil society groups Activity 10: Improve public awareness and participation in private hydropower development				

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Activity 12: Build outreach and education programs to increase public support through information. Activity 18: Train/assist relevant GON agencies in EIA/SIA and public consultations. Activity 19: Improve public hearings and documentation of stakeholder concerns. Activity 24: Train Public on disclosure and consultation concerning EIA				
Activities 2, 10, 12	Submit to DOED draft public outreach plan for review and comments	Draft Plan, workshop materials	15-Mar-04	28-Feb-04	Completed
	Hold workshop on draft public outreach program	Workshop	31-Mar-04	26-Mar-04	Completed
	Revise and prepare draft final public outreach program with STTA from specialist	Draft final public outreach program	31-Aug-04 (revised)		Ongoing
	Second workshop on Public Outreach Program	Workshop	31-Oct-04 (revised)		Planning
	Finalize public outreach program	Final public outreach program	30-Nov-04 (revised)		
	Implement public outreach program (in stages)	Progress items; reports	31-Sep-06		
	Evaluate progress/effectiveness of public outreach program; revise program as needed	Report; input to WP 2005	31-Dec-04		
Activity 8	Field EIA Training as part of FS/EIA studies	Field trips	31-Oct-04		
	Field EIA training as part of EIA training	Field trip	18-May-04		Postponed
Activities 19, 24	Hold workshop on draft manual on gender participation in hydropower development	Workshop	28-Feb-04	4-Feb-04	Completed
	Finalize manual on gender; submit for MOWR review	Final draft manual	30-Aug-04 (revised)		Delayed; DOED review
	Incorporate MOWR comments on manual on gender participation in hydropower development	Final GP manual	30-Sep-04 (revised)		
	Publish manual on gender participation in hydropower development	Published GP manual	31-Dec-04 (revised)		
	Finalize manual on public hearings and submit to MOWR for review	Final draft manual	28-Feb-04	3-Jun-04	
	Incorporate MOWR comments into manual on public hearings	Final PH manual	31-Aug-04 (revised)		
	Publish manual on public hearings	Published PH manual	30-Sep-04 (revised)		

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
AIP 5.1	Activity 5: Assist DOED in implementing the World Bank's Power Development Fund (PDF) Activity 9: Study and Review of Nepal's finance sector to promote domestic investment in hydropower.				
Activity 5	Assist DOED/GON agencies in negotiation and concluding AA with PDF Administrator	AA	15-Jul-	30-Jun-04	AA signed between PDF Board and NBB
	Assist DOED as required to meet its obligations as Secretariat to the PDF Board	As needed	31-Dec-04		Ongoing
Activity 9	Identify reg. and other constraints for local investment in hydropower development in consultation with local banks, IPPAN, SHDAN	Meetings/Workshops; Progress Report	31-Oct-04 (revised)		Ongoing
	Develop Strategy Document for Domestic Capital Mobilization for hydropower investment	Report	30-Nov-04 (revised)		
AIP 7.1	Activity 7: Identify Issues and Constraints to Power trade under Power Trade Agreement with India				
	Assist NEA, as needed, in negotiations with India for commercial sale of power	Progress items	30-Sep-06 (revised)		
AIP 7.2	Activity 3: Technical support to the DOED on one or more export projects Activity 14: Training Activities - Build Nepalese capacity for regional energy development and trade Activity 15: Training Activities - Train DOED and GON staff on IPPs and power trade negotiations Activity 25: Facilitate regional info exchange to resolve key issues				
Activity 3	Review export projects' contract and project agreement; develop and provide training for future contracts; conduct workshop	Revised contract documents, presentations	31-Oct-04 (revised)		Pending DOED direction
	Organize discussion meetings with PTCIL, PGCIL, PFCIL and other such agencies	Progress Report	30-Nov-04 (revised)	21-Apr-04	PTCIL meetings completed; Others ongoing
Activity 14	Assist in review of large, multi-purpose project studies – due-diligence training	Review report, training	31-Dec-04 (revised)		

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Monitor market/progress of export projects;	Progress items	31-Dec-04		Ongoing
	Workshop meetings with IPPAN and SHDAN, NEA and DOED on power trade, wheeling charges, and transmission line corridors	Workshop; Implementation Strategy	31-Aug-04		Ongoing
Activity 25	Activity closed in April (Purpose of activity would be achieved through other AIPs)	Networking opportunities			Activity closed as discussed with DOED and USAID
AIP 8.1	Activity 8: Assist DOED in developing and analyzing project proposals, Request for Qualification (RFQs) and RFPs from a financial perspective.				
	Confirm pre-qualified bidders list; BOOT	Various	31-Aug-04 (revised)		Ongoing Delayed due to late AA signing
	Revise RFP for BOOT projects;	Draft RFP	30-Nov-04 (revised)		See above
	Discuss and finalize BOOT RFP with GON agencies (DOED, NEA, others)	Final RFP	31-Jan-05 (revised)		See above
	Update Model PPA with NEA participation	Updated PPA	31-Dec-04 (revised)		See above
	In consultation with DOED and other GON agencies, identify project to be funded	BOOT project	30-Sep-04 (revised)		See above
	Request, receive, evaluate bids and recommend for selection BOOT project developer	Bid evaluation reports;	31-May-05 (revised)		See above
	Assist DOED/GON agencies in negotiation and concluding AA contract for development of the project with partial funding from PDF	BOOT project contract	31-Jul-05 (revised)		See above
AIP 11.1	Activity 11: Improve transparency of local revenue sharing of hydropower benefits Activity 18: Train/assist relevant GON agencies in EIA/SIA and public consultations Activity 20 (part): Advance impact monitoring and evaluation of benefits and				

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	equity issues				
Activity 11	Prepare electricity royalty revenue projections for the proposed 12% and 38% amendment to LSGR, together with other options	Input for report	28-Feb-04	31-Mar-04	Completed
	Prepare draft report on current knowledge of electricity royalty revenue distribution and use	Draft report and PowerPoint presentation	28-Feb-04	31-Mar-04	Completed
	Identify top-three DDC's for field data collection on actual royalty usage	Memo	30-Sep-04 (revised)		Delayed to assess feasibility of field visits
	Discuss draft report with DOED/other stakeholders and revise	Final report	28-Feb-04/ 31-Oct-04	31-Mar-04	w/DOED only
	Develop questionnaire for data collection, arrange for and obtain field data on use of royalty revenues	Report and PowerPoint presentation	30-Sep-04 (revised)		See above
	Prepare discussion paper on electricity royalty revenue distribution options	Discussion paper	30-Sep-04 (revised)		
	Hold workshop on electricity royalty revenue distribution options; Coordinate with Winrock on approach for a common workshop on developmental issues for local communities and cooperative (moved from AIP 1.4	Workshop, proceedings	31-Oct-04		Travel issues because of insurgency
	Prepare recommendations for equitable distribution of royalty revenues from HEPs for GON consideration	Final report	30-Nov-04		See above
	Interface with AIP 1.2 to strengthen/improve list of parameters in databases to monitor use of royalty revenue and other HEPs benefits	Progress items	31-Dec-04		Ongoing
AIP 13.1:	Activity 13: Perform training needs assessment for DOED and key institutions, complementary to SARI/E training program.				
	Out-of-country training, conferences	Individual training activities	31-Dec-04		Ongoing
	Prepare draft report on effectiveness of training under PSHDP-2	Draft Report	28-Feb-04	01-Apr-04	Completed
	Assess and evaluate training effectiveness in consultation with DOED and finalize report	Final Report	31-Aug-04 (revised)		Awaiting DOED comments
	Review and revise (if necessary) training needs and program for 2004	Memo	30-Sep-04		See above

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Review and revise criteria for participant selection for training	Memo	30-Sep-04		See above
	Implement training activities listed in Section 7.1	Progress Report	31-Dec-04		Ongoing
	Monitor other training activities under Sections 7.2 and appropriately update/revise training activities under 7.1 as needed	Memo; update training activities	31-Dec-04		Ongoing
AIP 20.1	Activity 20 (part): Advance impact monitoring and evaluation of benefits and equity issues Activity 21: Develop and strengthen EIA/SIA capacity for mitigation, implementation and monitoring. Activity 22: Develop standards for certification of EIA/SIA professionals Activity 23: Develop capacity for EIAs at Internationally Acceptable Standards				
Activity 21:	Finalize draft manual on baseline data, impact analysis, and mitigation measures for hydropower projects	Draft manual for circulation	20-Feb-04	1-May-04	
	Hold workshop on draft manual on baseline data, impact analysis, and mitigation measures for hydropower projects	Workshop; summary and proceedings	30-Apr-04	6-May-04	
	Baseline data manual Workshop summary and proceedings	Draft manual for circulation	30-Apr-04		
	Finalize manual on baseline data, impact analysis, and mitigation measures and submit to MOWR for review	Final draft manual	30-Apr-04		
	Incorporate MOWR comments on manual on baseline data, impact analysis, and mitigation measures for hydropower projects	Final MM manual	31-May-04		
	Publish manual on baseline data, impact analysis, and mitigation measures for hydropower projects	Published manual	30-June-04		
Activity 22	Activity closed in April				
Activity 23	Publish proceedings of 5-day joint EIA training course held in 2003	Publication	20-Feb-04	17-May-04	Completed
	MOPE/DN/MOWR/DOED/IRG: finalize draft guidelines on IEE, EIA, and license applications	Draft licensing guidelines	30-Sep-04 (revised)		NORAD lead
	Finalize guidelines on IEE, EIA, and license applications for MOWR, MOPE review	Final guidelines	31-Oct-04 (revised)		See above
	Publish guidelines on IEE, EIA, and license applications	Published guidelines	30-Nov-04 (revised)		See above
	Review availability and use of published manuals by industry/developers	Progress item	30-Sep-04 (revised)		Lowered priority
	Hold second 5-day joint MOPE/DN/DOED/IRG EIA training course	Final draft guidelines	31-May-04	10-May-04	Completed

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Upload published manuals and other documents on DOED website; make CDs of EIA courses	Records; progress item	30-Sep-04		Ongoing
	Develop database on socio-economic benefits of existing HEPs	Database	31-Dec-04		Ongoing
	Assist AIP 26.1 to implement DOED guidelines in preparing IEEs and EIAs	Progress items/training design	31-Dec-04		Ongoing
	Assist AIP 26.1 to identify, develop, and update best environmental management practices.	EIAs /IEEs for two projects	31-Dec-04		Ongoing
	Review success of EIA quality and identify improvement mechanisms based on AIP 26.1 results	Progress items/memo	31-Dec-04		
AIP 26.1	Activity 26: Feasibility Study and Environmental Impact Assessment of Small (5-10 MW) Hydropower Projects				
	Receive and evaluate proposals, select awardees/ FS EIA	Bid eval. Letter	31-Mar-04	27-Feb-04	Completed
	Sign subcontracts	Subcontracts	31-Mar-04	18-Apr-04	Completed
	Discuss with DOED and NEA on TL corridors; interface with NORAD on TA for FA	Memo project selection	31-Mar-04	20-Feb-04	Completed
	Manage, direct, review, monitor consultants work - FS/EIA Proj 1,2	Progress items	31-Dec-04		Ongoing
	Identify consultants to add to pre-qualification list; Identify projects 3 and 4;	Progress items	30-Jun-04	30-June-04	Completed
	Invite, receive, and evaluate proposals for Projects 3, 4 FS EIA	Final RFP; eval. letter	31-Jul-04		Delayed pending identifying projects
	Review and revise RFP/model contract for Projects 3 and 4	Revised RFP model contract	31-Jul-04		See above
	Select consultants and award contracts for projects 3 and 4;	Subcontract	31-Aug-04		See above
	Manage, direct, review, monitor consultants work - FS/EIA Proj 3, 4	Progress items	31-Dec-04		See above

I. 5. Personnel, Cost, and Performance Tables

The schedule of short-term technical assistance, cost summary by CLINs, and estimated percent completion by CLIN and by activity for ease of reference (and not by AIP) at end of current report period are shown on Tables 3 through 6.

**TABLE 3. SHORT TERM EXPATRIATE TECHNICAL ASSISTANCE
(January - June 2004)**

Name	Arrival Date	Departure Date	Length of Stay (days)	CLIN Number(s)	Assignment
Darryl Kuhnle	March 17	April 2	16	001, 002	AIP 2.1
Philip Costas	March 18	April 7	21	001	AIP 1.1

TABLE 4. COST SUMMARY BY CLIN
(As of June 30, 2004)

CLIN No.	Contract Budget	Total Claimed by 6/30/2004	Percent Budget To 6/30/2004 Expenses
CLIN 001	\$2,981,228	\$1,640,945	55.0%
CLIN 002	\$2,218,867	\$1,251,703	56.4%
CLIN 003	\$497,578	\$15,016	3.0%
Total	\$5,697,673	\$2,907,664	51.0%

TABLE 5. PERCENT COMPLETION BY CLIN
(As of June 30, 2004)

CLIN	Title	Expended Resources Percent	Estimated Activity Completion Percent
001	Improved enabling environment for equitable and sustainable hydropower development	55.0%	47%
002	Strengthened environmental and social assessment procedures, with broadened stakeholder participation	56.4%	72%
003	Conduct Feasibility Studies and EIAs (subcontract expense only)	3.0%*	6%

* Billing to be made later

TABLE 6. PERCENT COMPLETION BY ACTIVITY
(As of June 30, 2004)

Activity Number	Activity Description	Percent Complete
CLIN 001 – Improved enabling environment for equitable and sustainable hydropower development		
1	Support policy, legal, and regulatory reform and strengthen key institutions	60%
2*	Facilitate policy dialogue between GON and civil society groups	25%
3*	Technical support to the DOED on one or more export projects	10%
4*	Technical support to improve the "one window" mechanism	40%
5	Assist DOED in implementing the World Bank's Power Development Fund (PDF)	80%
6*	Improve DOED capacity	65%
7	Identify Issues and Constraints to Power trade under Power Trade Agreement with India	80%
8	Assist DOED in developing and analyzing project proposals, RFQs and RFPs from the financial perspective	35%
9	Study and Review of Nepal's finance sector to promote domestic investment in hydropower	25%
10*	Improve public awareness and participation in private hydropower development	35%
11*	Improve transparency of local revenue sharing of hydropower benefits	45%
12*	Build outreach and education programs to increase public support through information	40%
13*	Training Activities - Perform training needs assessment for DOED and key institutions, complementary to SARI/E training program	90%
14	Training Activities - Build Nepalese capacity for regional energy development and trade	60%
15	Training Activities - Train DOED and GON staff on IPPs and power trade negotiations (Financial issues)	40%
16*	Training Activities - Executive exchange to promote energy reform consensus	20%
17*	Training Activities - Study tours to Indian States to learn from successful sector reforms	100%
26*	Feasibility Study and Environmental Impact Assessment of Small (5-10 MW) Hydropower Projects (IRG efforts)	40
Estimated Percent Complete CLIN 001		47%

* These activities support CLIN 001 and CLIN 002

TABLE 6. PERCENT COMPLETION BY ACTIVITY (Continued)
(As of June 30, 2004)

Activity Number	Activity Description	Percent Complete
CLIN 002- Strengthened environmental and social assessment procedures, with broadened stakeholder participation		
18	Train/assist relevant GON agencies in EIA/SIA procedures and public consultations	75%
19	Improve public hearings and documentation of stakeholder concerns	80%
20	Advance impact monitoring and evaluation of benefits and equity issues	50%
21	Develop and strengthen EIA/SIA capacity for mitigation, implementation and monitoring	85%
22	Develop standards for accrediting EIA/SIA Professionals CLOSED	
23	Develop capacity for EIA/SIAs at or above World Bank or IUCN standards	85%
24	Train public on disclosure and public consultation concerning EIA/SIA	60%
25	Facilitate regional info exchange to resolve key issues CLOSED	
Estimated Percent Complete CLIN 002		72%
Estimated Overall Weighted Percent Complete - CLIN 001 and CLIN 002		52%
CLIN 003- Feasibility Studies and EIAs for Small Hydropower Projects		
26	Khare Khola FS and EIA studies	15%
26	Maya Khola FS and EIA studies	12%
26	Other projects (to be selected)	0%
Estimated Percent Complete CLIN 003		6%

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

AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO NEPAL

MEMORANDUM

DATE: September 21, 2004

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

FROM: Anthony B. Carvalho, CTO 

SUBJECT: CTO Comments on IRG's Semi-Annual Report #5, Private Sector Hydropower Development Project-2, IRG/USAID Contract No. 367-C-00-02-00011-00 in support of USAID's Strategic Objective 6.

Please include the following in Section 2 of the fourth Semi-Annual Report for the period January 1, 2004 To June 30, 2004:

IRG submitted its draft fifth Semi-Annual Performance Report for the period January 1, 2004 to June 30, 2004 on August 01, 2004.

As highlighted in the report, good 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 major milestone achieved during this period was the coordinated effort with the Asian Development Bank (ADB) consultants to prepare draft roadmaps for Nepal's Power Sector with the GON Steering Committee for the power sector reform. The Steering Committee subsequently approved, in principle, IRG roadmaps for reform of the DOED and the Electricity Tariff Fixation Commission (ETFC).

On the down side, increased insurgency activities during the beginning of the year continued to slow down potential investment activity and fieldwork on feasibility studies.

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

CC: RCO: Raymond Edler; CO: Ram Gurung
GDO: N. Chanmugam
PPD:CJennings