

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

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

SEMI-ANNUAL REPORT #7

January 1, 2005 through June 30, 2005

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

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

Reporting Period: January 1, 2005 through June 30, 2005

Acronyms and Abbreviations

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
EA	Electricity Act
EIA	Environmental Impact Assessment
ETFC	Electricity Tariff Fixation Commission
HMGN	His Majesty's Government of Nepal
IPP	Independent Power Producer
IPPAN	Independent Power Producer's Association of Nepal
IR	Intermediate Result
IRG	International Resources Group, Ltd
MOWR	Ministry of Water Resources
NCL	Nepal Consult Limited, JV
NEA	Nepal Electricity Authority
NERC	Nepal Electricity Regulatory Commission
NHMS	Nepal Hydropower Management System
PDF	Power Development Fund
POP	Public Outreach Program
PPA	Power Purchase Agreement
PSHDP-2	Private Sector Hydropower Development Project - 2
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
WP	Work Plan

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 His Majesty’s Government of Nepal (HMGN) to increase private sector participation in hydropower development, in support of US Agency for International Development (USAID) – HMGN 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 2005 (WP 2005). 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:

- Work Plan 2005 was discussed and approved in a Strategic Objective Team (SOT) meeting held on March 10; final notes of the SOT meeting was compiled and distributed to attendees on April 6, 2005 (All AIPs)
- Submitted to DOED and the Electricity Tariff Fixation Commission (ETFC) in June draft Action Plans for strengthening ETFC/Nepal Electricity Regulatory Commission (NERC) (AIP 1.1)

- Reviewed and provided comments to MOWR and DOED on the revised draft new Electricity Ordinance and the NERC Ordinance prepared by DOED on April 11 (AIP 1.1, 1.2)
- Organized and assisted MOWR/DOED to conduct two-day Stakeholders Meeting to discuss draft Electricity Ordinance and NERC Ordinance on April 12 and 13 (AIP 1.1, 1.2)
- Compile notes and records of the Stakeholder meeting held April 12-13 (AIP 1.1, 1.2)
- Classified stakeholder comments on draft Electricity and NERC Ordinances as policy issues, other major, and minor issues to facilitate DOED/MOWR review and incorporation in revised draft (AIP 1.1, 1.2)
- HMGN formed a 5-member internal Working Team on May 31 to review stakeholder comments and provide suggestions regarding revision of the draft Electricity and NERC Ordinances by July 15, 2005 (AIP 1.1, 1.2)
- HMGN formed a 13-member Final Draft Ordinances Preparation Committee on May 31 to revise the draft Ordinances in about one month after receipt of suggestions from the Working Team. Upon DOED request, IRG has organized legal support to assist this committee (AIP 1.1, 1.2)
- Initiated drafting of regulations for the draft Electricity Act and the NERC Act in May (AIP 1.1, 1.2)
- Submitted to DOED in June draft Action Plans for strengthening DOED (AIP 1.2)
- Updated DOED website and activated the new site on June 1, 2005 (AIP 1.2)
- Updated License Database system addressing DOED comments (AIP 1.2, 2.1)
- Published 500 copies of the Manual for Addressing Gender Issues in Environmental Impact Assessment (EIA) and Initial Environmental Examination (IEE) for Hydropower Projects in May 2005 (AIP 2.1)
- Submitted to DOED on May 25 a draft plan for Upgrading Existing Documentation Center at DOED to Public Information Center (PIC) for review (AIP 2.1)
- Submitted to DOED for records on May 31, revised draft Public Outreach Program (POP) for Hydropower Development in Nepal (AIP 2.1)
- Issued Request For Proposal for market research in hydropower in Nepal on June 29 (AIP 2.1)
- Published 500 copies of the brochure “Procedures for License Application for Hydropower Development in Nepal” in February 2005; received approval from DOED on June 10 to publish the revised brochure in English and Nepali (AIP 2.1)
- Distributed copies of seven manuals for preparing EIA documents for hydropower developments prepared by DOED/IRG and published by MOWR to a number of key organizations and stakeholders including hydropower developers, consultants, universities and colleges, and international and local non-governmental organizations (AIP 2.1)
- Submitted review of Nepal Electricity Authority’s (NEA) Grid Code to DOED on June 26 (7.1)
- Prepared a memorandum to the Secretary of the MOWR on NEA Board Reform based on Asian Development Bank Report on Power Sector Reform (March 2005) (AIP 7.1)
- At DOED’s request, provided comments on NEA’s proposal for a study to improve financial situation of NEA (AIP 7.1)
- Submitted to DOED draft Request For Proposal and revised draft Project Agreement for Kabeli-A Hydropower Development Project on June 27 (AIP 8.1)

- Submitted Proposed Overseas Training Activities for 2005 to DOED on June 28 (AIP13.1)
- Nepal Consult Limited, JV (NCL) submitted the Field Report for the Maya Khola project (AIP 26.1)
- IRG's subcontractors Butwal Power Company (BPC) and NCL, submitted on June 15 the final Scoping and TOR documents for Maya Khola and Khare Khola projects for MOEST approval (AIP 26.1)
- Made a presentation to the US Embassy's Commercial Attaché on PSHDP-2 program details on March 15
- IRG staff attended DO NO HARM training sponsored by USAID in February

C. Opportunities, Constraints, Issues, and Recommendations

- Asean Brown Boweri (ABB) India, technical partner for the Power Development Fund (PDF) Administrator withdrew from the work in March 2005 after a corporate decision to terminate its consulting business in financial services. However, the PDF Administrator is now back onboard with Fieldstone Inc as the new technical partner. The Operational and Risk Management Procedures Manual and the Financial Monitoring and Reporting Systems Manual are finalized. According to the DOED, the PDF Administrator should be fully functional in the next 1-2 months
- HMGN has decided on the Kabeli A medium sized hydro project development for possible funding under the PDF. Proposals for pre-qualifications were received by DOED late June. Selection potential bidders are expected to be completed by July 2005. A request for proposal (RFP) for the work is expected to be released later in 2005 with proposed award set for early 2006.
- Efforts are underway to legislate the new electricity Ordinance and the NERC Ordinance before the end of 2005.
- Increased insurgency activities during the beginning of the year continued to slow down potential investment activity in the sector. Our subcontractors have had to delay/reschedule their field investigation work for feasibility studies by three months because of transportation difficulties attributed to insurgency activities. However, our subcontractors have not reported any security incidents during their work.

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 SO 6.2.

Analysis of Results

Investments in hydropower development in the first six months for the year have been limited. Except for the 1.5 MW Chaku Khola Project, there was no financial closure for new hydro plants effected during the reporting period. Some investment on equipment upgrades and environmental mitigation efforts at existing plants have continued. In addition, several small hydro projects (<1,000 kW) are under construction, notably Sisne Khola (750 kW) and Baramchi Khola (999 kW). These indicate committed local interest in hydropower investment. Construction in the 16 MW Upper Modi project remains suspended.

However, the developer, Snowy Mountain Engineering Corporation (SMEC) is reported to have concluded an Engineering, Procurement, and Construction (EPC) contract for the 750 MW West Seti project. Equity and other financing are underway. According to SMEC representative, construction is expected to start in the second quarter of 2006. Butwal Power Company has made a corporate decision to upgrade its Jhimruk plant and has initiated preparation of license application for plant upgrade and expansion. Construction of Lower Nyadi (4.5 MW) development is underway. The developer is looking for local investment to supplement overseas financing. Attracting large overseas investment under current political situation continues to be a major hurdle.

The PDF Administrator should be fully functional shortly and is expected to provide added impetus to both local and overseas investment in hydropower sector in the next several reporting periods.

A sizeable improvement in the royalty revenue receipts from private sector hydro projects has been recorded with the commissioning of the 20 MW Chilime, 7.5 MW Indrawati, and 3 MW Piluwa Khola projects. 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 6.1	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	378	400	384	445		Cumulative	
							4	25	8	12	20	18	45	6**	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 hydro power project	Stage 1***	2001	24	26	28	30	42	35	68	40	78	45			
							7	8	8	10	10	13	12	15	14			
							6	7	6	8	14	10	20	12	23	14		
							6	7	8	8	9	10	12	12	13	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	1,161,700****	177,000		Cumulative	
							10%	10%	10%	10%	10%	10%	10%	10%	10%			

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

** As of June 2005 – Includes Chaku Khola small hydro 1.5 MW – \$3 M, Sisne Khola – \$1.4 M, and Baramchi Khola – \$1.6 M
Investment in Sisne Khola (750 kW) and Baramchi Khola (999 kW) have been included as discussed with USAID

*** Stage 1: Survey license issued (excluded projects studied by DOED)

Stage 2: Generation license issued

Stage 3: Completion of studies

Stage 4: Financial closure/Power Agreement

****From January to June 2005 the independent power producers (IPPs) have remitted a sum of \$1,160,099 to DOED; this has included some payments due in 2004. DOED has distributed \$789,693 of this amount to the affected DDCs of regions based on the Local Self Governance Ordinance of 2004, resulting in \$1,161,700 distribution to date.

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 6.1.1)	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	32	16		Cumulative
							1	3	2	11	2	6	2	5	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	30	31	34	37		Cumulative
						2	1	2	6	4	6	6	4	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	236	187		Cumulative	
						10	38	10	65	20	26	20	0		Incremental		

* The number includes Initial Environmental Examinations (IEEs) prepared for hydro projects since IEEs are the only required environmental documentation for certain developments

I.3. Administrative and Management Activities

A. Procurement and facilities

- Procured and Handed over to DOED eleven desktop computers and six HP Laserjet printers for DOED and other HMG agencies as approved in WP 2005
- Provided an email account for Electricity Tariff Fixation Commission (etfc@pshdp.wlink.com.np)
- Continued to maintain DOED website
- Continued to provide Information Technology support to DOED staff

B. Subcontracts

Nothing to report

C. Project personnel

As of June 30, 2005 contractual key resident staff included Krish Krishnan, Chief of Party, and Rajya Laxmi Bajracharya, Project Administrator; Nilu P. Basnyat continued as Environmental Coordinator; Dr. Rabin Shrestha resigned from IRG on May 31.

D. Significant Meetings

- Held a Strategic Objective Team (SOT) meeting to discuss and approve WP 2005 on March 10, 2005
- Held project progress meetings with USAID and DOED on January 31, and June 20, 2005
- Held review meetings with HMGN legal review team and DOED, MOWR, and Water and Energy Commission (WEC) Secretariat to discuss drafts of Electricity Ordinance and NERC Ordinance on February 10-11, March 18 and March 21, 2005
- Organized and assisted MOWR to conduct two-day Stakeholders Meeting to discuss draft Electricity Ordinance and NERC Ordinance on April 12 and 13
- Held a meeting with the Secretary of MOWR on April 27, 2005 to discuss the details of the follow-on efforts to finalize the Electricity and the NERC Ordinances
- Held meetings with DG of DOED, MOWR staff and WECS lawyers, to plan follow-on steps to process comments from Stakeholders
- Held meetings in May with Winrock and representatives from Forum of Energy Journalists of Nepal to discuss media training on hydropower and energy issues as part of POP
- Held several discussion meetings with DOED, WECS, and other agencies on DOED and NERC roadmap implementation and continued to develop implementation plans
- Held meeting with the Chairman of Nepal Telecommunication Authority to discuss details of their regulatory regime
- Held meetings with Environment and Social Studies Department (ESSD) of NEA and Joint Secretary of Ministry of Culture, Tourism and Civil Aviation to collect information for developing messages for POP

- Attended two meetings with the SO6 Evaluation Team on May 17 & 18
- Participated in the Workshop on Hydropower Royalty Sharing organized by Winrock and Nepal Water Conservation Foundation on May 13 and made a presentation on framework for royalty revenue distribution and use
- Held regular coordination meetings with DOED on project progress
- Held several regular progress meetings with BPC and NCL on feasibility studies/EIAs for the Khare Khola and Maya Khola small hydro projects

E. Out-of-country Training

- HMGN and IRG representatives attended the India Hydro 2005 held from Feb 19-21, 2005 in New Delhi, India and returned to Kathmandu on Feb 22, 2005
- Four HMGN senior officials participated in the International Network on Small Hydropower (IN-SHP) Conference, held in China from June 2-7, 2005

F. In-country Training

- Conducted 2-day training for Power Sector decision-makers on major topics on power sector regulation. Mary Webster, IRG consultant, provided the training on April 21-22, 2005
- Assisted MOWR and DOED participation at the 9th National Convention of Engineers and the 3rd Engineering and Development Expo 2005 held in Kathmandu during May 6-8, 2005; the programs were organized by Nepal Engineers' Association
- Supported participation of five HMGN engineers at the 6th International Conference on Development of Hydropower- A Major Source of Renewable Energy, sponsored by the International Association on Electricity generation, Transmission, and Distribution (Afro-Asian Region) from June 7-9, 2005; three IRG professionals also attended the Conference

G. Field activities

- IRG and DOED visited ICIMOD to assess GIS training facility on May 19, 2005

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 2005 consistent with WP 2005.

PSHDP-2

TABLE 2: NEPAL HYDROPOWER MANAGEMENT SYSTEM OUTPUT- June 2005

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	Draft, review, discuss, revise NERC Act and relevant regulations	Draft NERC Act	30-Apr-05	31-Mar-05	Completed
	Stakeholder meeting	Meeting	30-Apr-05	12-Apr-05	Completed
	Initiate draft NERC regulations	Draft NERC regulations	30-Jun-05	22-Jun-05	Completed
	Compile stakeholder comments on draft NERC Act	Compilation	15-May-05	15-May-05	Completed
	Draft Action Items report detailing roadmap to strengthen HMGN regulatory capability; finalize report and initiate implementation	Final Action Items report	30-Sep-05	17-Jun-05	Revised draft to DOED
	HMGN forms working group for regulatory and reform training	<i>HMGN leads</i>	31-May-05	31-May-05	Completed
	Support for legislative activities	NERC Act legislated	30-Nov-05		Pending finalizing Act
	New NERC Act passed as Ordinance	NERC Act legislated	30-Nov-05		Expected revised date
	Draft Action Items report detailing roadmap to reform and strengthen WEC; finalize report and initiate implementation	Final Action Items report	30-Jun-05		Pending finalizing Act
	Develop, as needed, explanatory/procedural documents for individual major steps in power sector reform and institutional strengthening	Procedures, reports	31-Dec-05		Pending finalizing Act
	Plan and organize regulatory workshops; executive exchange/study tours	Workshops, Study tours	31-Dec-05		Ongoing

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Implement strengthening of regulatory capability, NERC;	Training; workshops; Mock tariff and other hearings	31-Dec-05		Ongoing
	Implement initial reform/strengthening of MOWR, WECS, and other institutions	Procedures, training	31-Dec-05		
AIP 1.2	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions Activity 6: Improve DOED's capacity				
Activity 1	Draft, review, discuss, revise new Electricity Act (EA) and relevant regulations	Draft EA	30-Apr-05	31-Mar-05	Completed
	Stakeholder meeting	Stakeholder Meeting	30-Apr-05	12-Apr-05	Completed
	Initiate draft regulations	Draft EA regulations	30-Jun-05	22-Jun-05	Completed
	Compile stakeholder comments on draft EA	Compilation	15-May-05	15-May-05	Completed
	Draft Action Items report detailing roadmap to strengthen DOED capability; finalize report and initiate implementation	Final Action Items report	30-Sep-05	28-Jun-05	Draft to DOED
	HMGN forms working group for regulatory and reform training	HMGN leads	31-May-05	31-May-05	Completed
	Support for legislative activities	EA legislated	30-Nov-05		Pending finalizing Act
	New EA passed as Ordinance	New EA legislated	30-Nov-05		Expected revised date
	Develop, as needed, explanatory/procedural documents for individual major steps in power sector reform and institutional strengthening	Procedures, reports	31-Dec-05		Pending finalizing Act
	Manuals for inspection of generation facilities, substations, switchyards, and transmission lines	Manuals	31-Aug-05		
	Review NEA's distribution code for 11/33 kV interconnection	Distribution code	31-Aug-05		
Activity 6	Implement reform/strengthening of DOED	Training; workshops	31-Dec-05		Ongoing
	Organize specific local and overseas training, study tours to strengthen DOED	OC and IC training Update	31-Dec-05		Ongoing

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Continue to develop, commission licensing database; review and enhance database operation	Database enhancement	31-Dec-05		Ongoing
	Interface/coordinate with other USAID programs (e.g. SARI E, USEA partnership) to develop and implement regulatory training program for ETFC and DOED	Training Program	31-Dec-05		Ongoing
AIP 1.3	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions				
	Assist, as required, DOED to review final report of Asian Development Bank (ADB) consultant report on Power Sector Reform		29-Apr-05	29-Apr-05	Completed
	Assist MOWR and DOED to assess NEA's proposal for improving its financial condition including related issues on power bond issue, spill energy, and time-of-day metering		29-Apr-05	29-Apr-05	Completed
AIP 1.4	Activity 1: Support policy, legal and regulatory reform and strengthen key institutions				
	Finalize policy paper/report on rural cooperatives	Final Report	31-Mar-05		Deleted
AIP 2.1	Activity 2: Facilitate policy dialogue between HMGN and civil society groups Activity 10: Improve public awareness and participation in private hydropower development Activity 12: Build outreach and education programs to increase public support through information. Activity 18: Train/assist relevant HMGN 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 draft POP to DOED for review	Draft POP	30-Apr-05	6-Mar-05	Completed
	DOED/MOWR decision to pursue POP	Decision to pursue	30-Apr-05	31-May-05	Completed
	Revise draft for distribution to HMGN agencies	Revised draft	31-May-05	31-May-05	Completed
	Roundtable discussion w/stakeholders	Stakeholder Meeting	31-May-05		
	Plan for upgrading existing Public Information Center	Report	31-May-05	25-May-05	Completed
	Finalize POP research design+ methodology		31-Jul-2005		Completed
	Establish POP working committee	POP working committee	31-Aug-2005		
	HMGN selects/nominates POP team leader		31-Aug-2005		

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Select research + Ad agency		31-Aug-2005		Ongoing
	Needs assessment, gap analysis, training plans	Training plan	31-Aug-2005		Ongoing
	Develop POP materials for distribution to create awareness	Technical brochure/flyer	31-Oct-05		Ongoing
	Revise as necessary and finalize draft	Final draft POP	31-Oct-05		Ongoing
	Stakeholder workshop to finalize POP	Workshop	31-Oct-05		
	Collect and analyze baseline information	Analysis/ reports	31-Oct-05		
	Finalize POP Implementation Plan	Implementation Plan	31-Oct-05		
	Train POP team	Training	30-Sep 2006		
	Finalize POP Media Plan	Final POP Media Plan	31-Oct-05		
	Finalize POP – Launch POP implementation and updated website	POP report	31-Oct-05		
	Implement POP	Progress items	31-Dec-05		
	Develop TOR to conduct periodic evaluation	Progress items	31-Dec-05		
Activities 19, 24	Submit manual on Gender Participation in hydropower development to MOWR for approval to publish	Final GP manual	31-May-05	29-Apr-05	Completed
	Publish manual on Gender Participation in hydropower development with MOWR	Published GP manual	31-Jul-05	6-May-05	Completed
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 as required to meet its obligations as Secretariat to the PDF Board	As needed	31-Dec-05		Ongoing
Activity 9	Review existing studies and prepare a technical note on regulatory and other constraints for local investment in hydropower development in consultation with local banks, IPP Association of Nepal (IPPAN), and other stakeholders	Meetings/ Presentations/ Workshops	30-Apr-05		To be deleted
	Conduct meetings with local financial institutions on hydropower project and TL investment opportunities in coordination with IPPAN etc	Presentations, workshops	30-Apr-05		To be deleted
	Develop Strategy Document for Domestic Capital Mobilization for hydropower investment	Strategy document	31-Jul-05		To be deleted
AIP 7.1	Activity 7: Identify Issues and Constraints to Power trade under Power Trade Agreement with India				

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Organize a workshop with HMGN, IPPAN and Indian counterparts (PTC, GCIL, etc) for accelerating power exchange	Workshop; follow on action items	31-May-05		Cancelled; see AIP 26.1
	Assist DOED and NEA on a as needed basis	Progress	31-Dec-05		Ongoing
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 HMGN staff on IPPs and power trade negotiations Activity 25: Facilitate regional info exchange to resolve key issues				
Activity 3	Review grid code prepared by NEA and prepare a plan for revisions to make the document suitable for use by all market participants	Revisions grid code	31-May-05	26-Jun-05	Draft with DOED for review
Activity 3	Organize and conduct a workshop/consultative discussion with stakeholders to discuss proposed revisions	<i>ADB consultant work/Workshop/discussion</i>	31-May-05		Delayed/ADB
Activity 3	Final grid code for adoption by ETFC [NERC]	<i>ADB consultant work/Final grid code</i>	31-Jul-05		Delayed/ADB
Activity 3,14,15,25,6	Discuss with DOED and other HMGN agencies to develop, finalize, and implement a plan for promotional activities regarding marketing hydropower development and power export	DOED Promotional plan	31-Dec-05		Pending finalizing EA
Activity 3,6,14,15,25	Organize workshop with IPPAN, FNCCI, and other stakeholders for improving power exchange/exports		31-Dec-05		Cancelled; see AIP 26.1
Activity 3,14,15,25	Assist DOED and NEA on a as needed basis		31-Dec-05		Deleted – Not required
AIP 8.1	Activity 8: Assist DOED in developing and analyzing project proposals, Request for Qualification (RFQs) and RFPs from a financial perspective.				
	Assist DOED to conduct a fresh pre-qualification process In consultation with DOED and other HMGN agencies, identify project(s) to be funded	Various	31-Jan-05	31-Jan-05	Completed
	Revise RFP for Kabeli A hydropower project for competitive development Discuss and finalize RFP in consultation with HMGN agencies (DOED, NEA, others);	New RFP	31-Jul-05	27-Jun-05	Draft Submitted to DOED

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
	Update Model power purchase agreement (PPA) with NEA for inclusion with RFP	Model PPA	31-Jul-05	Delayed	Awaiting draft from NEA
	Update model PA	Model PA	31-Jul-05	29-Jun-05	Draft Submitted to DOED
	Request, receive, evaluate bids and recommend for selection of a project developer for Kabeli-A project	Bid evaluation reports	31-Dec-05		
	Assist DOED/HMGN agencies in negotiation and concluding a contract for development of the project with partial funding from PDF	Contract agreement(s)	31-Dec-05		
AIP 11.1	Activity 11: Improve transparency of local revenue sharing of hydropower benefits Activity 18: Train/assist relevant HMGN agencies in EIA/SIA and public consultations Activity 20 (part): Advance impact monitoring and evaluation of benefits and equity issues				
	Assist AIP 26.1 to implement DOED guidelines in preparing IEEs and EIAs for HEPs	EIAs /IEEs for two projects	31-Dec-05		Ongoing
	Assist AIP 26.1 to identify, develop, and update best environmental management practices; review EIA quality and identify improvement mechanisms based on AIP 26.1 results		31-Dec-05		Ongoing
AIP 13.1:	Activity 13: Perform training needs assessment for DOED and key institutions, complementary to SARI/E training program.				
	Assess and evaluate training effectiveness in consultation with DOED and finalize report	Final Report	30-Sep-05		
	Review and suggest revisions (if necessary) to training needs and training activities	Memo	30-Apr-05	June-30-05	Initial list completed
	Review and revise criteria for participant selection for training	Memo	30-Aug-05		
	Implement training activities listed in Section 7	Progress item	31-Dec-05		Ongoing
	Monitor other training activities in WP 2005 and appropriately update/revise training activities	Memo: update training activities	31-Dec-05		Ongoing

AIP #	Description	Output/Deliverable	Planned Date	Actual Date	Status
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 manual on baseline data, impact analysis, and mitigation measures and submit to MOWR for review	Final draft manual	31-May-05		Delayed; ongoing
	Distribute published manuals by industry/developers in meetings with IPPAN, SHDAN etc		31-May-05		Delayed
	Plan training for SIA development for DOED review	Action Items memo	31-May-05		Delayed
	Incorporate MOWR comments on manual on baseline data, impact analysis, and mitigation measures for hydropower projects	Final MM Manual	30-Jun-05		Delayed
	Publish manual on baseline data, impact analysis, and mitigation measures for hydropower projects	Published Manual	31-Jul-05		Delayed
	Finalize plans for training for SIA development and initiate implementation	Final Plan and action items	31-Jul-05		Delayed – No new date
Activity 23	Assist AIP 26.1 to identify, develop, and update best environmental management practices	Inputs to EIAs and IEEs for SHPs	30-Sep-05		Ongoing
	Review success of EIA quality and identify improvement mechanisms based on AIP 26.1 results	Inputs to EIAs and IEEs for SHPs	31-Dec-05		Ongoing
	Review manual use and assess revisions needed	Memo	31-Dec-05		Ongoing
AIP 26.1	Activity 26: Feasibility Study and Environmental Impact Assessment of Small (5-10 MW) Hydropower Projects				
	Manage, direct, review, monitor consultants work projects 1 and 2	Progress item; other transmittals as required; final FS reports and EIAs	31-Aug-05		Ongoing
	Organize and conduct a meeting with key stakeholders to discuss need and scope of TL corridor study	HMGN/USAID decision	30-Sep-05		Study to begin in August

I. 5. Personnel, Cost, and Performance Tables

The schedule of short-term technical assistance, cost summary by Contract Line Items (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 (TA)
(January – June 2005)**

Name	Arrival Date	Departure Date	Length of Stay (days)	CLIN Number(s)	Assignment
Charles Ebinger	Feb 6	Feb 18	13	001, 002	All AIPs
Robert Fitzgibbons	Mar 26	Apr 9	15	001	AIP 1.1
Mary Webster	Apr 2	Apr 22	23	001	AIP 1.1
Charles Ebinger	Apr 1	Apr 10	10	001, 002	All AIPs
Charles Ebinger	May 26	Jun 7	12	001, 002	All AIPs
Robert Fitzgibbons	Jun 2	Jun 9	8	001	AIP 1.1
Harsha de Silva	Apr 25	May 8	14	002	AIP 2.1
Carlos Yermoli*	20	001	AIP 7.1

* Provided TA to review NEA grid code from home office in the US

TABLE 4. COST SUMMARY BY CLIN**(As of June 30, 2005)**

CLIN No.	Contract Budget	Total expenses claimed to 6/30/2005	Percent Budget To 6/30/2005 Expenses
CLIN 001	\$2,981,228	\$2,470,066	82.8%
CLIN 002	\$2,218,867	\$1,625,655	73.2%
CLIN 003	\$497,578	\$76,986	15.5%
Total (CLINs 1 and 2)	\$5,200,095	\$4,095,721	78.8%
Total (CLINs 1, 2, and 3)	\$5,697,673	\$4,172,707	73.2%

TABLE 5. PERCENT COMPLETION BY CLIN**(As of June 30, 2005)**

CLIN	Title	Expended Resources Percent	Estimated Activity Completion Percent
001	Improved enabling environment for equitable and sustainable hydropower development	82.8%	65%
002	Strengthened environmental and social assessment procedures, with broadened stakeholder participation	73.2%	75%
003	Conduct Feasibility Studies and EIAs (subcontract expense only)	15.5%*	20%

* USAID has decided to limit this activity to complete only two of the up to five feasibility studies.

TABLE 6. PERCENT COMPLETION BY ACTIVITY

(As of June 30, 2005)

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	80%
2*	Facilitate policy dialogue between HMGN and civil society groups	70%
3*	Technical support to the DOED on one or more export projects [to be closed; see Activity 26]	30%
4*	Technical support to improve the "one window" mechanism [incorporated in Activity 1, 6]	75%
5	Assist DOED in implementing the World Bank's Power Development Fund (PDF)	95%
6*	Improve DOED capacity	85%
7	Identify Issues and Constraints to Power trade under Power Trade Agreement with India	90%
8	Assist DOED in developing and analyzing project proposals, RFQs and RFPs from the financial perspective	80%
9	Study and Review of Nepal's finance sector to promote domestic investment in hydropower [to be closed]	60%
10*	Improve public awareness and participation in private hydropower development	80%
11*	Improve transparency of local revenue sharing of hydropower benefits [To be closed]	80%
12*	Build outreach and education programs to increase public support through information	70%
13*	Training Activities - Perform training needs assessment for DOED and key institutions, complementary to SARI/E training program	85%
14	Training Activities - Build Nepalese capacity for regional energy development and trade	90%
15	Training Activities - Train DOED and HMGN staff on IPPs and power trade negotiations (Financial issues)	60%
16*	Training Activities - Executive exchange to promote energy reform consensus	60%
17*	Training Activities - Study tours to Indian States to learn from successful sector reforms [Closed]	100%
26*	(1) Feasibility Study and Environmental Impact Assessment of Small (5-10 MW) Hydropower Projects (IRG efforts – for 2 projects)** (2) Feasibility study for TL to facilitate private sector export (new)	70 To begin Sep. 05
Estimated Percent Complete CLIN 001		75%

*These activities support CLIN 001 and CLIN 002

** Scope of work under revision

TABLE 6. PERCENT COMPLETION BY ACTIVITY (Continued)
(As of June 30, 2005)

Activity Number	Activity Description	Percent Complete
CLIN 002- Strengthened environmental and social assessment procedures with broadened stakeholder participation		
18	Train/assist relevant HMGN agencies in EIA/SIA procedures and public consultations	85%
19	Improve public hearings and documentation of stakeholder concerns	95%
20	Advance impact monitoring and evaluation of benefits and equity issues	55%
21	Develop and strengthen EIA/SIA capacity for mitigation, implementation and monitoring	95%
22	Develop standards for accrediting EIA/SIA Professionals [CLOSED]	100%
23	Develop capacity for EIA/SIAs at or above World Bank or IUCN standards	95%
24	Train public on disclosure and public consultation concerning EIA/SIA	65%
25	Facilitate regional info exchange to resolve key issues [CLOSED]	100%
Estimated Percent Complete CLIN 002		85%
Estimated Overall Weighted Percent Complete - CLIN 001 and CLIN 002		78%
CLIN 003- Feasibility Studies and EIAs for Small Hydropower Projects**		
26	Khare Khola FS and EIA studies	45%
26	Maya Khola FS and EIA studies	45%
Estimated Percent Complete CLIN 003**		20%

** Scope of work under revision; USAID has decided to terminate this activity with only two of the up to five feasibility studies.

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

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO NEPAL

MEMORANDUM

DATE: August 31, 2005

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

FROM: Anthony B. Carvalho, CTO *[Signature]*

SUBJECT: CTO Comments on IRG's Semi-Annual Report #7, 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 seventh Semi-Annual Report for the period January 1, 2005 to June 30, 2005:

Despite the deteriorating economic and political situation, good progress, particularly in the capacity building and institutional strengthening activities, continued and some major milestone were achieved during this reporting period. Among the highlight, was the stakeholders' review of the two important ordinances, the Electricity Act and the NERC Act which were completed by the consultants and are pending reviews by the MOWR. The GON has set up a special panel to review these ordinances deemed essential for further reform in the energy sector.

Another important achievement was the substantial completion of two small hydropower projects studies by IRG's subcontractor, Butwal Power Company. These studies have been submitted to the relevant GON agencies for approval.

On the down side, increased insurgency activities continued and that slowed actual investments. For example, the West Seti Project (750 MW), that consists of the largest private sector undertaking that aimed to start ground breaking in late November 2005, decided to differ or delay their program till conditions on the ground become more stable politically.

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

CC: RCO: Joseph McGee; CO: Ram Gurung
GDO: N. Chanmugam
PPD: CJennings

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