

October 9, 2013

**Response of IBRD to France on Approval by mail: India: Development Policy Loan (DPL) to Promote Inclusive Green Growth and Sustainable Development in Himachal Pradesh (HP)**

Zhihong,

Attached are our responses to the comments.

Regards,

Gevorg Sargsyan

<b>French Comments</b>	<b>Bank Response</b>
We thank the World Bank and the Indian government for submitting this proposal. Let me convey the French support to the overall aim of the proposal, and to the use of the DPL instrument to enhance the public policy implementation taking into account the climate change agenda and promoting transformational impact. We also acknowledge the focus put on environmental and social monitoring, as well as on evaluation systems, as an essential element of projects which have many systemic impacts.	Thanks
We think this first CTF-supported climate DPL is an important milestone. Considering this importance, as well as the comments and questions raised by several of our colleagues, we would feel it important enough to propose that the approval decision be put on the agenda of our incoming TFC meeting at the end of the month, in order to allow for a proper discussion and also give time to look into the different issues highlighted.	We would like to request that the project approval is not delayed until or after the upcoming meeting. As you may know we did have discussions on the DPL instrument and the India project during the last two CTF committee meetings exactly to make sure that there are no subsequent delays when the project is submitted for approval. Such delays will have an undesirable impact on the project preparation and implementation calendar.
What type of hydropower projects is associated to the DPL support exactly? Are we only considering “run-of-river” hydropower (as mentioned in para 26) or also dams? This	The DPL does not directly support hydro projects in Himachal Pradesh. Rather it is creating an enabling environment through transformational policy shifts for not only

<p>might have an impact in terms of GHG emissions as large reservoirs are known to generate GHG emissions depending on their depth and on other parameters.</p>	<p>hydro power production in HP and India but in an environmentally sustainable and socially responsible manner. Majority of hydro development in HP is run of the river and hence GHG issues do not come.</p>
<p>This operation is presented as the second tranche of a programmatic DPL but the document does not give much detail on the public policy matrix and the indicators adopted to follow the policy dialogue under this programmatic DPL. Neither is clearly presented the feedback on the first phase of this DPL (\$100 million loan from IBRD).</p>	<p>Please see Annex I</p>
<p>The document does not justify the use of concessional CTF resources for this second tranche (especially considering that the first IBRD tranche was probably far less concessional). What would be the rationale for it?</p>	<p>CTF resources are needed to leverage IBRD funding and the GoHP funding to support sustainable and accelerated hydropower development in the state. In the absence of DPL, GoHP would not had the political leverage to put in place and accelerate transformational policy shifts including removal of barriers, strengthening environmental sustainability and innovative benefit sharing mechanism in the state. This could be a role model for other hill state countries and regions.</p>
<p>The treatment of cofinancing/leverage is somehow confusing: can the first tranche of the DPL be considered as a co-financing (wasn't it already in place before project identification in the CTF pipeline?)?. Do we rightly understand that there won't be any other financiers for the second tranche? Also, how can all funding provided to hydropower projects (in equity or debt) be considered as project leverage (para 66): were not the majority of them already on track?</p>	<p>When the Board approved the first DPL of this Programmatic DPL series, the understanding was that it will funded by both IBRD and CTF based on the Investment Plan approved by CTF committee. Therefore this should be considered as one operation and IBRD resources were accessed by GoI and GoHP in anticipation of available CTF funding. While many projects in the pipeline have been allotted quite some time back, things have not been moving on the ground (investments are yet to come in) because of the different barriers that are slowing down/ delaying the implementation (and are elaborated in the document).CTF funding will accelerate investments by easing</p>

	<p>the enabling environment in a number of areas. The leverage is calculated for the entire cost of program which would happen anyway though with potentially some delay. While this is one approach, the alternative would be to calculate divergence of NPVs of BAU and alternative scenario.</p>
<p>Could more information be given regarding the additional resources that will be put in place by the state government to support policy and institutional measures that overcome the barriers presented in the document and accelerate the development of hydropower?</p>	<p>The key problem that exists at the moment in number of areas is that while there is a defined regulatory framework, the state does not have adequate means to monitor the implementation of the same. So the DPL program is focusing on strengthening the monitoring mechanisms and also helping the government in pushing more information in the public domain that will provide third-party monitoring as well. However, in case, any further gaps are identified in the regulatory framework, the same will be discussed during the course of the program implementation with GoHP to try and address through appropriate means. The GoHP is also strengthening Environment and Energy Departments to have more specialists who can oversee the program and suggest guidelines for improvement and effective monitoring. Some other steps include (i) web based monitoring; (ii) Linking information to state's Geo information centre (central repository of all information of the major sector); (iii) introducing panel of experts to oversee hydro program; (iv) Constitution of Local Area Development Committees, with participation of Local administration and local stakeholders, to oversee the management of local area development funds; (v) undertaking of cumulative impact assessment studies across all river basins (in a phased manner) to ensure that the desired baseline and possible impact information is available that can provide the necessary information to the regulatory authorities for taking decisions on the project.</p>
<p>Finally, on GHG emission reductions, cost-</p>	<p>While we agree that it is not straightforward,</p>

effectiveness and transformational potential ratio calculation, it is not straightforward to consider a replication effect at the national level: could you therefore develop on the links between activities implemented in Himachal Pradesh and hydropower development in other Indian states?

the demonstration effects of HP model of inclusive green growth are expected to be substantial. While, it is not possible to link activities with those in other states (as each state in India functions rather independently of each other), GoHP has been playing a leadership role among hill states through hosting conclaves, conferences, workshops and other knowledge sharing events on sustainable development.

**Annex I: Policy Matrix for HP IGG DPL I and DPL II supporting Sustainable Hydropower Development**

Objectives and Goals	DPL I Prior actions	DPL 2 Prior Actions	Results Indicator
2.1 Promote environmentally sound hydropower development	GOHP has awarded the contract to start preparation of basin wide digital GIS based hydropower potential maps for the state.	Design, adoption and implementation by State Department of Energy of a policy of web based real-time monitoring of project milestones, including those relating to environment and social parameters and environmental flows	<p><b>Avoided thermal generation of 11,300,000 MWh by FY2014 against a 2011 baseline.</b></p> <p>System in place for identifying key barriers and to speed up implementation of hydro projects in the state.</p>
		An independent review by Panel of Experts of State's compliance with environmental and social / economic development policies and E.P. Act of GoI	Systematic verification of compliance of hydro projects with regards to environmental flows and issuance of penalties for non-compliance
	GoHP Cabinet approval and a public notification issued by the Department of Power regarding the requirement to undertake Cumulative Environmental Impact Assessment (CEIA) studies for the five key river basins in the State (Sutlej, Beas, Ravi, Yamuna and Chenab), which includes review of environmental	Review of Satluj CEIA study leading to the development of concurrent action plan.	Cumulative environmental impact assessment for Sutluj river basin completed and other basins underway.

	flows and initiation of CEIA for Sutlej Basin,		
	The GOHP has approved an integrated Catchment Area Treatment (CAT) plan for the Sutlej river basin and started its implementation, and initiated preparations of integrated CAT plan for the Chenab Basin Preparation of basin wide digital GIS based hydropower potential maps for the state	Review of implementation progress of Integrated CAT Plan in Sutlej	Based on Sutluj basin pilot an Integrated approach framework to CAT Plan available for replicability in other basins.
2.2 Promote socially sound hydropower development		Finalization and disclosure of list of eligible families for cash transfers under new LADF guidelines and commencement of annuity cash transfers for least one project	Cash transfers of 50 million rupees (US\$ 1 million) transferred to project affected people by 2014.
		Local area development works for 75 percent of funds deposited to the LADF approved by Local Area Development Committees	Amount of 1500 million rupees (US\$ 30 million)are approved by Local Area Development Committees (LADCs) by March 2013