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MULTILATERAL DEVELOPMENT BANK ASSISTANCE PROPOSALS

Likely to Have Adverse Impacts on
the Environment, Natural Resources,
Public Health, and Indigenous Peoples

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Multilateral Development Banks' Assistance Proposals Likely to Have Adverse Impacts on the Environment

Introduction

The U.S. Agency for International Development (USAID) submits this report in compliance with Title XIII of the International Financial Institutions (IFI) Act. These provisions instruct USAID to report to Congress on assistance proposals likely to have adverse impacts on the environment, natural resources, public health, or indigenous peoples.

This report covers an eight-month period (August 2013 through March 2014) and provides information regarding USAID's performance of its tasks as assigned by Title XIII of the IFI Act to the Committee on Appropriations, the Committee on Banking, Finance and Urban Affairs and the Committee on Foreign Affairs of the U.S. House of Representatives, as well as the Committee on Appropriations and the Committee on Foreign Relations of the U.S. Senate.

USAID works with other USG agencies, including the Department of the Treasury, the Department of State, the Environmental Protection Agency, and the Offices of the U.S. Executive Directors at the MDBs (OUSEDs) in assessing proposals likely to have adverse impacts on the environment, natural resources, public health or indigenous peoples.

MDB Project Review

MDB projects with the potential for adverse environmental and social impacts are initially identified by USAID, the Environmental Protection Agency, the Department of State, Department of the Treasury and other USG agencies, OUSEDs, and/or nongovernmental organizations (NGOs) and researchers. The criteria for selecting identified MDB projects for USAID Title XIII review include consideration of the potential adverse direct, indirect and cumulative impacts on the environment, natural resources, public health, and/or indigenous peoples.

The MDB projects selected by USAID, in consultation with other USG agencies, for review during the period covered in this report are either candidates for financing or have been approved for financing by the MDBs as defined in Title XIII. Projects reviewed in this report fall into one of the following categories:

I. MDB Proposals with Potential for Adverse Effects: This section includes those MDB proposals reviewed prior to the MDB Board¹ vote. This section includes the following projects:

- Nepal – Melamchi Water Supply Project
- Kenya, Uganda – Regional Pastoral Livelihoods Resilience Project (Phase I)

¹ The Board of Executive Directors (the Board) is made up of appointed or elected representatives of the Bank's member countries.

2. USAID Affirmative Investigations: This section includes brief descriptions of affirmative investigations that USAID has conducted during the past 6-12 months.

- Democratic Republic of Congo – Grand Inga, Phase A Hydropower Project
- India – Luhri Hydropower Project

3. Future MDB Proposals with Potential Environmental and Social Impacts: An affirmative investigation is most likely to influence a project when the MDB and project sponsor are engaged early in the proposal development process. For this reason, USAID and Treasury maintain “upstream” project lists. Proposals that are chosen for these lists have the potential for substantial adverse impacts and can include: 1) technical assistance or studies that have the potential to lead to additional MDB or private sector financing for project development; and/or 2) projects under discussion with various MDBs, in which a management decision has not been made on whether to bring these projects into the MDB formal appraisal process; and/or 3) projects that have not initiated the Environmental Impact Assessment/Environmental and Social Impact Assessment (EIA/ESIA) but which do have a pending Board date. New projects on this list include the following:

- Cameroon – Nachtigal Hydropower Project
- Ethiopia – Regional Pastoral Livelihood Project (Phase 2)
- Laos – Nam Theun 2 Hydropower Expansion
- Malawi – Kholombidzo Hydropower Project
- Nepal – Upper Trishuli Hydropower Project
- Nepal – Upper Arun Hydropower Project
- Nepal – Upper Marsyangdi 2 Hydropower Project
- Nepal – Energy Access and Efficiency Improvement Project III

To increase the effectiveness of the Title XIII process, USAID engages in the MDB project proposal process as early as possible, including through site visits and interviews with local, regional and international stakeholders. USAID continues this interaction with relevant stakeholders during the later stages of the project proposal process when all of the environmental and social documentation is available. USAID MDB Reports to Congress are reviewed and edited by the Departments of the Treasury and State.

Section I

MDB Proposals with Potential for Adverse Effects

USAID's technical review identifies proposals with potential environmental and social impacts (including potential impacts on the environment, natural resources, public health, and indigenous peoples (Section 1303)), and assesses project ESIA's. Following each completed review, USAID develops recommendations regarding potential mitigation measures in an attempt to prevent and mitigate potential environmental and social impacts. USAID provides recommendations that might be used during ESIA development and later provides an assessment of the ESIA to the U.S. Department of Treasury for its consideration. Some of these projects have already proceeded to Board vote; in these cases, updates are included in this report.

Nepal

Melamchi Water Supply Project

Project Description.

The Kathmandu Valley contains Nepal's single largest urban economy and is critical to its economic growth. Water is central to the well-being of the population and the key to its productive capacities. However, current water services are grossly inadequate and unreliable, causing many people to resort to tankers' supplies, bottled water, and both deep and shallow wells. This trend has led to serious environmental concerns as shallow wells are becoming increasingly polluted and deep aquifers are being mined to produce additional water. Access to water (in the dry season) and quality of water are conditions which most significantly impact the health of the poor. The Asian Development Bank (ADB) developed the Melamchi Water Supply project to address both the socioeconomic distress caused by the lack of adequate safe water to Kathmandu Valley residents and the institutional challenges of providing water and wastewater management services on a sustainable basis.²

The Melamchi Water Supply Project (MWSP) is considered by the Government of Nepal to be the most viable long-term alternative to ease the chronic water shortage within the Kathmandu Valley and mitigate the issues described above. The Project is designed to divert about 170 millions of liters per day (MLD) of fresh water to the Kathmandu Valley from the Melamchi River in Sindhupalchowk district through a 26.5 km tunnel. Additional work will include construction of 43 km of access roads and upgrading of about 29 km of roads to assist the construction and maintenance of project facilities. A water treatment plant with an initial capacity of 170 MLD and expandable to about 510 MLD to treat the Melamchi River water will

² <http://www.adb.org/projects/31624-023/details>

be constructed. There will also be the development and implementation of a social “upliftment” program including buffer zone development, rural electrification, health, education and income/community development.³

The project was initially financed in 2000, but has faced numerous challenges, including delays related to the difficult political environment (which prompted several donors, including the World Bank, to withdraw support). In 2012, the Government of Nepal decided to terminate the construction contract with the Chinese contractor due to significant delays and poor performance. Since then the tunnel contract has been rebid through a competitive process which was awarded to an Italian firm in July 2013.

Financing

ADB proposed additional financing of \$25 million in February 2014 to cover the costs of resuming the tunnel construction along with 25 km of the 43 km of new access roads, 29 km of rehabilitated roads, and a new water treatment plant for the untreated river water. The Government of Nepal will provide the remaining \$13 million for the project, for a total of \$38 million.

USAID Review

USAID’s review of this project highlighted the following concerns with the ESIA:

1. Cumulative impacts: When this project was first approved (2000), ADB did not have requirement in its safeguard policy to assess cumulative impacts. The 2008 Environmental Management Plan (EMP) states that it is addressing cumulative impacts. However, a cumulative impact assessment has not been undertaken, according to ADB staff. A cumulative impact assessment would contribute to and inform the environmental mitigation and monitoring requirements in the EMP by identifying the combined, incremental effects of human activity on resource receptors. While they may be individually insignificant, cumulative impacts accumulate, from one or more sources, and can result in the degradation of important resources. Therefore, it is important to identify cumulative impacts so appropriate avoidance/mitigation measures can be developed and implemented.
2. Environmental flows: Given that the project will divert 20 percent of the overall average flow and at least 79 percent of the dry season in-stream flow, an updated environmental flow analysis should have been carried out to determine the appropriateness of proposed releases. More than 14 years have passed since the original ESIA was completed and there have been changes in the area.

³ <http://www.melamchiwater.org/home/melamchi-ws-project.php>

3. Fisheries: According to the 2000 ESIA, 45 species of fish were present in the river. However, ADB staff now indicates that the 2000 assessment identified 25 species, which is inconsistent. According to the project Environmental and Social Monitoring Report, several species (e.g., Katle, Nakata and Sidra) were not recorded in the latest sampling, indicating that they are in “the extinction state” as last year during the same period of time these species were present in the river.⁴ The Environmental and Social Monitoring Report did not identify the cause of this decline. Per communications within the USG (February, 2014), USAID staff noted that the reason for the decline should be assessed and based on results the project design may need to be revisited. This might entail undertaking a cumulative impact analysis and then working with the project proponent and other third party actors that are impacting the fish species to establish mitigation and monitoring measures.
4. Biodiversity: Monitoring to assess and, if necessary, mitigate direct, indirect and cumulative impacts on terrestrial wildlife and forests, including the Shivapuri Watershed and Wildlife Reserve and the Langtang National Park. ADB has a new biodiversity expert to monitor activities.
5. Project-affected and downstream communities: Involuntary resettlement of 15,000 people was part of Phase I of the project (approved in 2000) which has been completed. Discussions with ADB staff indicated that the Resettlement Action Plan (RAP) compensation and mitigation measures have been completed and 15,000 have been compensated. The RAP include the following: compensation upon acquisition of land, crop and trees and house or commercial enterprises, mitigation for the loss of water due to diversion to Melamachi River, displacement allowances, rehabilitation measures, loss of government property, loss of community facilities and resources, community losses, and general counseling. Land acquisition process is completed and resettlement monitoring and reporting is ongoing. However, indicators to determine the success over time of the involuntary resettlement were not identified or discussed. Without indicators to measure success, there is no objective measurement to determine success or provide insight into which involuntary resettlement activities need improvement. Since water will be diverted from the Melamchi River, communities downstream of the diversion who depend on water and fisheries will be impacted, therefore it is important to assess the potential impacts on downstream users of the river to identify appropriate mitigation measures.⁵

⁴ NEP: Melamchi Water Supply Project – Subproject I May-August 2013

⁵ Staff comment from February: “EMP monitoring assesses the potential impact of reduced water flow to communities at 5 locations below the diversion. Four major tributaries join Melamchi river downstream of the diversion.”

Board Vote

This project went to the ADB Board on February 11, 2014 for approval. Treasury originally abstained on the 2000 operation. For the February 2014 Board vote, Treasury instructed the U.S. Executive Director to abstain based on inconsistencies with the Pelosi Amendment including the absence of any assessment of cumulative impacts (on fisheries, wildlife, and water quality, for example), climate change impacts and the inadequacy of environmental flow regimes.

Kenya, Uganda

Regional Pastoral Livelihoods Resilience Project (Phase I)

Project Description

Pastoralism is the prevailing livelihood and production system practiced in the world's Arid and Semi-Arid Lands (ASALs). Recent estimates indicate that there are approximately 120 million pastoralists/agropastoralists worldwide, of which 50 million reside in Sub-Saharan Africa (SSA). In the Horn of Africa, the ASALs represent more than 60 percent of the total area, with a pastoral population estimated at between 12 million and 22 million. Worldwide, pastoralists constitute one of the poorest population sub-groups. Among African pastoralists, the incidence of extreme poverty ranges from 25 to 55 percent. In the Horn of Africa, the percentage is estimated at 41 percent.⁶

Seasonal and cross-border mobility is a critical element of pastoralism. Mobility enables pastoralists in the ASALs to cope with droughts and manage conflicts over natural resource use while carrying out livestock-based livelihoods. The pastoralists' livelihoods are dependent upon ecosystems which often go beyond national borders. The market networks for livestock that provide pastoralists with opportunities for income generation are similarly dependent on cross-border ecosystems.

The World Bank's (WB) Regional Pastoral Livelihoods Resilience Project (RPLRP) seeks to develop regional solutions to challenges faced by pastoralists who reside in the ASALs of Kenya, Uganda, Ethiopia, South Sudan and Somalia and to enhance opportunities for livelihood development. Within the framework of RPLRP, the project has two phases for supporting a set of activities to build the resilience of pastoralist livelihoods. The first phase of the project is designed

⁶ WB Project Information Document

to provide a comprehensive package of investments and services to targeted cross-border clusters across Kenya and Uganda as well as a set of strategic investments and activities to address regional issues in selected counties/districts of these two countries. The second phase is intended to bring in Ethiopia and perhaps Somalia and South Sudan.

Financing

The proposed financing from the WB is \$122 million, consisting of two proposed credits, to Kenya (\$77 million) and Uganda (\$40 million), as well as a grant (\$5 million) to the Intergovernmental Authority for Agriculture Development (IGAD) for implementation.

USAID Review

USAID's review of the RPLRP and associated documents raised the following questions related to potential environmental and social impacts. These questions were submitted to Treasury on March 13, 2014 for MDB response.

- 1) The project is defined as regional, although it is still working within the boundaries of individual countries – the borders of which divide the ecosystem used by pastoralists. Additionally, not all of the countries which share the ecosystem are included in the regional project at the same time. What are the potential impacts of this approach versus a truly regional approach where ecosystem management is done in a unified manner? Why was the latter approach not proposed? Bank staff responded that they are taking extra precautionary steps to prepare Ethiopia's participation given sensitivities related to the government's "villagization" programs. The Bank is in discussions with South Sudan and Somalia to join the program in the next fiscal year (Somalia is not eligible for IDA allocation and would need to participate through trust funds). This response is directly related to villagization efforts, but does not address the concerns related to trans-boundary ecosystem management.
- 2) Given that the RPLRP is regional and transboundary in nature, how will activities be undertaken that are transboundary when only two countries are included in the first phase? Bank staff responded that the interim period before presenting phase two of the project for approval will not materially affect the results of the operation. USAID believes that further examination and action on transboundary aspects of this project are important to its success.
- 3) There could be potential transboundary socioeconomic imbalances as a consequence of RPLRP activities carried out in one country, potentially resulting in greater migration to and/or conflict in areas where infrastructure development and improved range management is occurring. How is this issue being considered/factored into the proposed project activities? Bank staffs anticipate that the project will soon extend beyond Uganda and Kenya, so as to avoid regional imbalances from project activities.
- 4) The RPLRP will be implemented through a sustainable landscape approach along cross- border livestock routes and corridors. Since inappropriate or insecure land tenure is a key underlying

threat to pastoral communities, how will the RPLRP sequence activities with IGAD efforts to ensure sustainability of the project and maintain pastoralist livelihoods? Is the RPLRP or other donors undertaking activities to develop legal mechanisms that pastoral communities can use to challenge state appropriation of collectively held resources?

- 5) Because of potential impacts on natural habitats and protected areas, OP 4.04⁷ is triggered. Was baseline data collected and assessed to determine potential direct, indirect and cumulative impacts of the sub-projects in these sensitive areas, to be able to, in the future, determine whether proposed avoidance/mitigation measures were effective?
- 6) The RPLRP has identified water access as a key activity. What assessments were undertaken to ensure that pasture degradation, which is a risk around permanent water sources and settlements that concentrate and stabilize livestock populations, will not occur? Since pastoralists' use of pasture and natural resources has evolved over time, has a comprehensive assessment of the evolution of the pastoralist ecosystem management been undertaken? If so, how will the project's proposed activities be incorporated into this system?
- 7) It is highly likely that infrastructure developments in Ethiopia (hydropower, industrial agriculture) will impact water resources in the Lake Turkana region. Were these potential impacts assessed, and if so, how are RPLRP activities addressing this issue?
- 8) The RPLRP has identified access to natural resources (water, pasture) as a key activity. What are specific activities that will be undertaken to ensure resource access in the face of multiple factors, including infrastructure development (roads, rails, pipelines), that will impact livestock movement and grazing land/water sources, as well as bring an influx of outsiders who will likely dominate economic activities?
- 9) Is the RPLRP undertaking an assessment of the cumulative impacts of climate change – combined with other types of environmental and social changes/stresses that contribute to increased vulnerability of these populations – to ensure proposed activities are "climate resilient"?
- 10) Given that wildlife/tourism can be supportive of pastoralists' livelihoods, what assessments are being done within the RPLRP to ensure proposed activities do not negatively impact (directly, indirectly, cumulatively) wildlife?

Board Vote

During a meeting on March 14, 2014, World Bank staff explained the team's due diligence process. The U.S. Department of State indicated that "during the Board discussion it was acknowledged that both Ugandan and Kenyan governments had demonstrated an impressive commitment to include vulnerable groups in their consultations, going beyond the standard requirements. It was also mentioned that while the ultimate goal of the project is to expand to other countries in the region for more effective implementation, incorporating additional countries had to be delayed to allow time for sufficient evaluation of social safeguards." The WB Board approved Phase I of the Regional Livelihoods Resilience Project on March 18, 2014.

⁷ OP 4.04 is the WB Operational Policy for Natural Habitats.

India

Development Policy Loan (DPL) to Promote Inclusive Green Growth And Sustainable Development in Himachal Pradesh

Project Description

The Government of India (GoI) received \$100 million loan to be overseen by the World Bank which promotes inclusive green growth and sustainable development in Himachal Pradesh. The project aims to support specific state policies to enable the increased adoption of environmental and social parameters in state-level hydropower development, increased local community involvement in watershed management. It also seeks to increase the adoption of sound environmental practices in tourism development. These policies complement a range of initiatives that the Government of Himachal Pradesh has been pursuing to promote environmentally sustainable growth policy objectives.

Activities proposed under this DPL include: 1) an online web-based monitoring mechanism for real time, effective monitoring of various milestones of the implementation of hydropower projects, 2) assistance for hydropower project developers in cases where extraordinary delays have occurred, 3) periodic monitoring of the status of project implementation, 4) developing a benefit sharing program that would provide long term mechanism to support community development in the area and 5) help expedite the process of obtaining environmental clearances⁸ The Government of Himachal Pradesh is in the process of carrying out various studies in the river basins for the assessment of impacts due to project implementation. The DPL is also intended to facilitate the interim review of the ongoing Satluj Cumulative Environmental Impact Assessment (CEIA) study which is expected to identify activities resulting in potential cumulative impacts to inform the development of an action plan.

Financing

The financing is for a \$100 million DPL.

⁸ https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/HP_DPL_World%20Bank.pdf

USAID Review

USAID submitted the following to the Department of Treasury and the OUSED in February 2014. The project document states that much of the hydropower capacity in Himachal Pradesh has been allocated (22,500 MW out of 27,436 MW) and is in various stages of development.⁹ Based on this document, the DPL did not provide a process which would enable a hard look at the environmental sustainability of this sector, such as eliminating specific projects or making significant design changes.

1. The document states that the river basin studies¹⁰ conducted under the DPL will be used to inform decision-making processes and expedite hydropower development. Because 22,500 MW out of a projected 27,436 MW capacity has been allocated, it is important that the DPL provide a process or mechanism to ensure that the CEIA for Sutlej and the other four river systems in Himachal Pradesh developed as part of the DPL will inform the decision-making process.
2. The document does not provide a process/mechanism that will enable coordination of watershed management on a regional and international trans-boundary platform since these rivers either originate in Tibet (China) or flow from and to other Indian states. At a minimum this could include a Strategic Environmental Assessment of development activities on the trans-boundary rivers.
3. The document notes that the developers are concerned that new policies and regulations being contemplated may cause further delays in the clearance process as "these regulations include a requirement of minimum "Riparian Distance"¹¹ between hydropower projects, conducting river basin studies as a requirement for granting final forest clearances, enhanced discharge of environmental flows from 15 percent to 20 percent of the river flow, recognition of community rights in the area to the resources, etc.
4. It is not clear what monitoring or enforcement procedures the DPL will support to ensure that the sector is environmentally sustainable.
5. The following information could assist the DPL during the implementation of its activities:
 - a. Baseline studies conducted in a timely manner, by appropriate experts, to understand the flow regime, aquatic biodiversity and human uses of the river and all of its components to be able to inform the decisions that are being made.
 - b. The basis for the percentage of environmental flows. Environmental flow science has found that maintaining minimum flows is necessary but insufficient to maintain healthy

⁹ Development Policy Loan (DPL) to Promote Inclusive Green Growth and Sustainable Development in Himachal Pradesh (page 8)

https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/HP_DPL_World%20Bank.pdf

¹⁰ River basin studies are recognized as an important approach to coordinating conservation, management and development of water, land and related resources across sectors within a given river basin.

¹¹ This is the distance that should be maintained between the tailrace of one hydropower project and the intake of the next hydropower project.

- river ecosystems and that a naturally variable pattern of water flow is needed to sustain biodiversity and ecosystem services provided by rivers.¹²
- c. The necessary data to determine the biological basis to support the minimum "Riparian Distance."
 - d. A defined process for conducting the river basin studies which are a requirement for granting the final forest clearance.
 - e. Identification of how recommendations from the Shukla Report, commissioned by the High Court of Himachal Pradesh¹³ to examine the environmental issues of hydropower projects, were integrated into the DPL.
6. Despite the reliance of the region on hydropower, the document does not address or integrate the modeling of expected change in flows based on climate change. This information should be incorporated to ensure the environmental sustainability of the sector.

Board Vote

The project was approved by the WB Board of Directors in May 2014. The U.S. supported the World Bank operation in May 2014.

¹² WB Water Working Notes Note No. 22, November 2009

¹³ The High Court of Himachal Pradesh constituted a one man High Power Committee to examine environmental issues of hydropower projects including: 1) whether the hydropower projects have followed the mandatory conditions of environmental clearances; 2) whether the necessary steps had been taken by the companies to restore the environment and ecology in the project areas and 3) whether it is advisable for the State to sanction construction of hydropower projects at or over 7,000 feet above sea level.

Section 2

USAID Affirmative Investigations

This section includes brief descriptions of affirmative investigations that USAID has conducted.

Democratic Republic of Congo (DRC) Grand Inga, Phase A Hydropower Project

The African Development Bank (AfDB) Board approved a \$69.26 million blended loan (Fragile State Facility Grant and African Development Fund Loan) in November 2013 for the Inga Site Development and Electricity Access Support Project (PASEL). The United States approved this operation at that time, a position supported by USAID.

The project lays the foundation via technical assistance including preparation of the request for proposals, the geotechnical and environmental and social assessments to implement “Grand Inga Phase A by developing a generating capacity of 4800 MW on the Inga site and building power transmission lines that supply electricity to the DRC and South Africa. Hence, this project is a continuation of the AfDB’s previous technical assistance support in 2008 that led to the identification of an innovative approach which ensures the full realization of Inga’s hydro-electricity potential and promotes continental integration. This project is expected to facilitate the development of institutions and skills making it possible to improve the structuring of Inga 3 in order to select an investor-entrepreneur under a public-private partnership”.¹⁴

The WB Board approved a \$73 million technical assistance loan in March 2014, which is divided into two components. The first component, “A”, is designed to contribute to the development of Phase A Hydropower Project (also known as Inga 3) which would “kick start future development of Grand Inga under a phased approach matching the evolution of the regional demand.”¹⁵ Component A of the WB project is aimed at creating the “framework for a sound and sustainable development of Inga 3 and of the subsequent stages of the scheme up to the full Grand Inga”¹⁶ hydropower facility, with a projected capacity of 39,000 MW. The second component, “B”, is designed to promote the development of mid-size hydropower projects in the DRC and to assess the eligibility of carbon financing for Inga 3 and the other mid-size hydropower projects. The United States abstained on the TA because of inadequate consideration of governance and environmental risk.

Background: AfDB performed Prefeasibility Report for the development of Phase A and subsequent phases of Grand Inga. The report was released in September 2011 and it analysed approaches to implementing the project

¹⁴ AfDB Appraisal Report 4 November 2013

¹⁵ Integrated Safeguards Data Sheet Report No. ISDSC764 23 July 2012

¹⁶ Ibid.

Regardless of the development option chosen, the Phase A hydropower plant would have an installed capacity of 4,800 MW. Approximately 2,500 MW will be sold to South Africa for industry use and the Société nationale d'électricité (SNEL)¹⁷ is expected to offtake approximately 500 MW, with the remainder going to DRC's Katanaga mining region. Other project components include the reinforcement and construction of a 3,676 km high voltage transmission line from DRC to South Africa.

USAID initiated an affirmative investigation of the proposed project in July 2013. The investigation was undertaken by staff from USAID/Washington, USAID/Kinshasa, U.S. Embassy/Kinshasa, and Treasury. Meetings were held with stakeholders from the government, donor community and civil society. In addition to the meetings, USAID's site visit focused primarily on Component "A" and included visits to Inga 1 and Inga 2 hydropower projects, the Bundi Valley and the surrounding area where Grand Inga Phase A is proposed to be located. Meetings were also held with communities affected by the project. Environmental and social information obtained from the site visit and additional documentation will be used primarily to provide recommendations to the WB and DRC government to strengthen the Terms of Reference (TOR) for the EIA of Phase A. Some recommendations include:

- **Baseline Data:** Baseline data were not available to evaluate the direct, indirect or cumulative impacts of Inga 3-BC. To support decision makers, substantial data collection is required to establish baseline conditions.
- **Environmental:** Since there are potential significant impacts on natural resources, field data will be needed for terrestrial, aquatic, and hydrologic assessments. For example, four mammal species listed in the International Union for Conservation of Nature (IUCN) Red List have been identified in the proposed dam's zone of influence and downstream. The World Wildlife Fund suggests that the Lower Congo Rapids ecosystem is of the highest conservation importance because of exceptional species richness for fisheries (129 species) and high endemism (34 out of 129 species or 26 percent). To sustain the aquatic ecosystem (riparian and offshore), environmental flows must be understood and maintained. The naturally variable pattern of flow defines local species composition, ecosystems, and their associated ecosystem services. Maintaining a minimum low flow is insufficient and seasonal variations must be sustained to avoid losses in river and coastal fisheries. Specific baseline data should be collected to identify if the project will be net positive for mitigating climate change including:
 - Biodiversity, habitats, habitat connectivity, hydrology, water quality, channel morphology, sediment and freshwater plume, mangroves, and external stressors.
 - Comprehensive environmental flow requirements (prior to ESIA).
 - Greenhouse gas emissions sources and sinks.

To achieve this data collection, the timeline for the ESIA should be extended to cover all seasons.

- **Social:** While resettlement for Inga 3-BC may be limited, it is estimated that over 7,000-10,000 people will need to resettle for Grand Inga (IDA, 2014). Historically, resettlement

¹⁷ Société nationale d'électricité (SNEL) is the national electricity company of DRC

is challenging. Transparency and information sharing need to be improved through meaningful and early participation and communication—which can only be achieved with an adequate understanding of baseline social conditions. Public health assessments need to be conducted to ensure that diet and quality of life are improved. Therefore, additional demographic and social data should be collected and evaluated on public health and effects on community, including household-level economies and livelihoods.

- **Cumulative Impacts:** Inga 3-BC is the first of seven proposed phases in a series of hydropower plants that could supply upwards of 40,000 MW of power. AfDB funded an “assessment of the environmental and social impacts which could result from the construction and operation of the installations proposed on the Inga site” which is a part of “the feasibility study for Grand Inga” (AECOM and EDF, 2014). Considering that the series of hydropower plants at the Inga site are reasonably defined and reasonably foreseeable to perform a feasibility study, USAID believes that the series of future hydropower plants should be assessed as a part of cumulative impacts. Furthermore, it is USAID’s technical judgment that any subsequent hydropower facilities which utilize portions of the area of influence or that use Inga 3 facilities should be studied under cumulative impacts. This is particularly important because “more severe impacts are anticipated in subsequent phases of Grand Inga development” (World Bank, 2012b). Electricity from Inga 3-BC is intended to support the mining industries in both Katanga region (DRC) and South Africa. Therefore, in addition to assessing the impacts of hydropower plants, the cumulative impact assessment should also look at the environmental and social impacts of the increased/expansion of mining and associated activities as a result of increased electricity to these industries.
- **Associated Facilities:** The Inga 3 BC development includes an intake on the Congo river and a 12 km transfer canal to bring the waters to the Bundi valley, a 100 m high roller-compacted concrete dam at the downstream end of the Bundi valley, and an hydropower station equipped with 11 units for a total installed capacity of 4,755 MW. Associated facilities clearly defined in the PAD include transmission lines connecting the power station to Kinshasa and to DRC’s border via Kolwezi (Katanga region) with a total length of 1850 km, and associated switchyards and converting stations (IDA, 2014). Additional associated facilities should include construction support activities such as road, bridge, and port rehabilitation, cement factories, and worker camps.
- **Government Capacity and Public Participation:** Effective governance is a necessary precursor to ensure the economic viability of the project and the sustainable management of the Congo River and its associated watershed—the natural capital resource that the Inga 3-BC dam depends on. Historically, collections of revenue by SNEL have been poor, but they have been improving in recent years. Despite this progress, SNEL collects payments for only one-half of the electricity that it produces. Collection rates from government entities and state-owned enterprises remain very low at 8 percent and 37 percent, respectively. In addition to direct technical assistance to the Government, public participation laws need to be prioritized to ensure that project affected peoples are meaningfully consulted, using two way communication, during the scoping phase and throughout project development, implementation, monitoring and, if necessary, remediation. Technical assistance, including legal advice, should be provided to project-affected communities through local organizations to ensure their meaningful participation.

Specific detailed arrangements, legal agreements, and technical support for managing Inga 3-BC may improve SNEL capacity. Technical assistance might also evaluate the need for, and benefits of, strengthening and broadening the scope of International Commission of Congo-Oubangui-Sangha (CICOS) river basin management authority or establishing a new Congo Basin watershed management authority to ensure that ecosystem services from the Congo are retained as development occurs, including the development of Inga 3-BC and Grand Inga. Technical assistance may also, based on the results of the evaluation, support this authority's establishment.

Section 3

Future MDB Proposals with Potential Environmental and Social Impacts

USAID monitors the status of some projects in the project proposal process. These projects may not yet be in the MDB pipelines, may not have initiated the ESIA and/or may not be scheduled for a board vote. USAID will monitor the status of these proposals, which may be considered for future Affirmative Investigations; updated information will be provided when available. Criteria used for including selected projects on the monitoring list include potential impacts on biodiversity, environment/natural resources, indigenous peoples, public health and potential adverse cumulative environmental and social impacts. This list is not inclusive of all projects that should be monitored, but it provides an overview of the types of projects that are being monitored.

Projects recently added to USAID's monitoring list:

- *Cameroon – Nachtigai Hydropower Project (IFC Infraventures)*
This hydropower project is designed to generate 360 MW, with most of the power used to double production at Rio Tinto's Alucam aluminium plant. Work on the plant at Nachtigal Falls on the Sanaga River, around 60 km northeast of Yaounde, is due to start within six months when another hydropower project, Lom Pangar (WB and AFDB financed), is completed.
- *Ethiopia – Regional Pastoral Resilience Livelihood Project (Phase 2 – WB)*
WB's Regional Pastoral Livelihoods Resilience Project (RPLRP) seeks to develop regional solutions to challenges faced by pastoralists who reside in the ASALs of Kenya, Uganda, Ethiopia, South Sudan and Somalia and to enhance opportunities for livelihood development. Ethiopia is expected to be included in the second phase of this project with Board decision in 2015.
- *Laos – Nam Theun 2 Hydropower Expansion*
Nam Theun 2 Power Company is considering exploring the possibilities to extend the electrical capacity of the Nam Theun 2 hydropower project. An extension of Nam Theun 2 is not yet confirmed, and the ADB is not currently involved in any official discussions of financing. An annual IFI mission was held (the high-level "Round Table Meeting on Development"), attended by 37 international donor organizations, including the ADB, and the possible extension was discussed. The IFIs have asked that the Nam Theun 2 Power Company Ltd (NTPC) and Government of Lao PDR (GOL) keep the IFIs informed about consideration of a possible extension of Nam Theun 2. The feasibility study has not yet been

undertaken. A very tentative timeframe is: meetings with the Electricity Generating Authority of Thailand (EGAT), the Government of Lao PDR (GOL), and all shareholders to agree on the main principles for extension (2013); design, environmental and social (E&S) studies, and commercial phase assessments (2014-2015); development of financial close and bidding documents (2016-2017); and construction and commissioning (2017-2020).

- *Malawi - Kholombidzo Hydropower Project (AfDB)*
The African Development Bank (AfDB) Group approved, on March 25, 2013, a grant amounting to \$3.04 million to finance the 100 MW Kholombidzo Hydroelectric Power Plant (HPP) Feasibility Studies in Malawi. AfDB is preparing a feasibility study for this project
- *Nepal – Upper Arun Hydropower Project (potential WB financing)*
This hydropower project is expected to produce 335 MW and 245 MW during the wet and dry seasons, respectively. The Nepal Electricity Authority (NEA) is conducting detailed engineering studies and the Nepalese cabinet has decided to develop this project through the NEA.
- *Nepal – Upper Marsyangdi Hydropower Project (IFC Infraventures; potential IFC financing)*
This hydropower project is expected to produce 600 MW and has been identified as a high priority project by the Nepalese Government. Feasibility studies were completed late 2013 but environmental or social documentation is not accessible online.
- *Nepal – Upper Trishuli I Hydropower Project (IFC Infraventures; potential IFC financing)*
This hydropower project is expected to produce 216 MW and has been identified as a high priority project by the Nepalese Government. Feasibility studies are completed but environmental or social documentation is not accessible online.
- *Nepal – Energy Access and Efficiency Improvement Project III (potential ADB financing)*
The government is requesting ADB financing for two transmission lines which will evacuate electricity from hydropower projects in the Kali Gandaki and the Marsyangdi corridors.

Projects discussed in earlier MDB Reports to Congress and that are still being observed.

- *Colombia – Ituango Hydropower Project (potential IDB financing)*
- *Guatemala – Land Administration Project II (WB)(was approved in 2006 potential for additional financing and expansion of the project)*
- *Indo-Nepal Transmission Line (potential IFC financing)*
- *Indonesia – Regional Road Development II Project (potential ADB financing)*
- *Kenya – Lamu Port, Southern Sudan-Ethiopia Transport (AfDB-financed road study, potential additional AfDB financing)*
- *Laos – Vietnam Power Interconnection Project (potential AfDB financing)*

- *Liberia – Dugbe Gold Project (\$8.8 million IFC equity investment for feasibility studies, potential subsequent IFC investments)*
- *Mongolia – Orkhon River Diversion Project (WB)*
- *Multinational: Study on the Ouesso-Bangui-N'djamena Road and Inland Navigation on the Congo, Oubangui and Sangha Rivers (AfDB) (TA was approved in 2012, potential for financing part of the construction activities)*
- *Nepal – Bridges Improvement and Maintenance Program (WB) (was approved in 2012)*
- *Mozambique – Mphanda Nkuwa Hydropower Project*
- *Regional – North-South Corridor: DRC, Zambia, South Africa (potential AfDB, WB financing)*
- *Regional Isaka – Kigali railway: Burundi, Tanzania, Rwanda (potential AfDB financing)*

The proposed dates of the above projects are to be determined in the future. Should information become available that indicates that these projects may have significant adverse impacts, USAID will consider an affirmative investigation.

