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USAID'S REVIEW OF MULTILATERAL DEVELOPMENT BANK ASSISTANCE PROPOSALS

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

April 2016

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USAID Review of Multilateral Development Bank 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.¹ The IFI Act instructs USAID to report to Congress on proposals before the multilateral development banks² (MDBs) that are likely to have adverse impacts on the environment, natural resources, public health, or indigenous peoples.

This report covers a seven-month period (August 2015 through February 2016) and provides information regarding USAID's performance of its duties under Title XIII of the IFI Act to the relevant House and Senate committees.

MDB proposals and projects with the potential for adverse environmental and social impacts are initially identified by USAID/Washington and field missions; U.S. Government agencies, including the Environmental Protection Agency (EPA), the Department of State (State), the Department of Treasury (Treasury) and the Offices of the U.S. Executive Director (OUSEDs) at the MDBs; 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 impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples.

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 latter stages of the project proposal process, when all of the environmental and social documentation is available. USAID MDB Reports to Congress are reviewed by the U.S. Department of Treasury.

Potential MDB Proposals/Projects for Future Review: USAID maintains a list of MDB proposals and projects with potential environmental and social impacts. These

¹ Title XIII International Financial Institutions Act of 1977, as Amended* * includes amendments of 1988 and 2005 Foreign Operations Appropriations Acts. Section 1303(3)(c) instructs USAID to identify assistance proposals likely to have adverse impacts on the environment, natural resources, public health, or indigenous peoples. The proposals identified are transmitted to designated Congressional Committees.

² Multilateral Development Banks as defined in Section 1307(g). In this title, the term 'multilateral development bank' means the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the African Development Bank, the African Development Fund, the Asian Development Bank, the Inter-American Development Bank, the Inter-American Investment Corporation, any other institution (other than the International Monetary Fund) specified in section 1701(c)(2), and any subsidiary of any such institution.

projects and proposals fall into two categories: 1) pre-MDB Board vote; and 2) post-MDB Board approval.

- 1) **Pre-MDB Board Vote:** USAID and Treasury maintain “upstream” proposal lists, which include proposals at various stages of development prior to MDB Board vote. Proposals in this category have been identified based on their potential for adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples. Proposals in this category are candidates for Washington-based review and/or field-based affirmative investigations. Projects in this category in this same time period include:
 - Laos - Greater Mekong Subregion Biodiversity Conservation Corridors Project (Additional Financing)
 - Nepal – Upper Karnali Hydropower Project
 - Nepal – Upper Arun Hydropower Project
 - Nepal – Ikhuwa Khola Hydropower Project
- 2) **Post-MDB Board Approval:** Projects in this category are candidates for ongoing monitoring reviews pursuant to USAID’s Title XIII reporting responsibilities to determine the degree of incorporation, as well as effectiveness, of U.S. Government recommendations and the adequacy of safeguard policies. Projects are selected based on consideration of their potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, and/or indigenous peoples.

A list of 1) pre-MDB Board Vote; 2) post-MDB Board approval projects that have been reported in earlier MDB Reports to Congress and which USAID continues to follow; and 3) affirmative investigations and/or field monitoring reviews previously conducted by USAID are included in the Annex to this report.

MDB Proposal and Project Review

Reviews of MDB proposals and projects related to Title XIII typically fall into one of the following categories:

- 1. MDB Proposals with Potential for Adverse Impacts (Washington-based desk review):** Projects that are identified as potentially impacting the environment, natural resources, indigenous peoples and public health, but are too late in the process for an affirmative investigation may be subject to a Washington-based desk technical review. These reviews are based on the respective project’s Environmental and Social Impact Assessment (ESIA) and supporting documentation. Based on these reviews, USAID develops recommendations regarding potential mitigation measures in an attempt to avoid and mitigate potential environmental and social impacts. USAID provides its technical assessment of the ESIA and proposed recommendations to

improve the project during its development and implementation to Treasury for consideration prior to Board vote.³ Project(s) in this category are:

- Tanzania – Southern Agricultural Growth Corridor of Tanzania (SAGCOT)

2. USAID Affirmative Investigations (Field-based Reviews): Proposals that are selected for an affirmative investigation⁴ include: 1) technical assistance or feasibility 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 for which a management decision has not been made as to whether to bring these projects into the MDB formal appraisal process; and/or 3) projects for which an Environmental Impact Assessment/Environmental and Social Impact Assessment (EIA/ESIA) has not been initiated but which do have a pending Board date. MDB projects with draft ESIA are selected for affirmative investigations based on information presented in the draft ESIA showing their potential to cause significant environmental and social impacts.

3. MDB Project Monitoring Review (Washington-based or Field-based reviews): Monitoring reviews of an MDB-financed project are conducted any time over the life of financial assistance to the project. Monitoring reviews evaluate the incorporation of U.S. Government recommendations from a previously conducted affirmative investigation or other in-depth ESIA review and assess the effectiveness of safeguard policies in mitigating negative environmental or social impacts. The criteria for selecting MDB projects for monitoring review include consideration of their potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples. Project(s) in this category are:

- Brazil/Paraguay – Minerva S.A. Beef (IFC financed - 2013)

³ The Board of Executive Directors (the Board) is made up of appointed or elected representatives of the Bank's member countries.

⁴ An affirmative investigation is most likely to influence a project when the MDB and project sponsor are engaged early in the proposal development process. Affirmative investigations consist of in-country consultations with a variety of stakeholders, including government, project proponents, and civil society; site visits to the project and surrounding area; meetings with project-affected communities; and document review.

Section I

MDB Proposals with Potential for Adverse Impacts (Washington-based Desk Reviews)

Proposals that are identified as potentially impacting the environment, natural resources, indigenous peoples and public health, but are too late in the process for an affirmative investigation, may be subject to a Washington-based desk technical review. These reviews are based on the respective project’s Environmental and Social Impact Assessment (ESIA) and supporting documentation. Based on these reviews, USAID develops recommendations regarding potential mitigation measures in an attempt to avoid and mitigate potential environmental and social impacts. USAID provides its technical assessment of the ESIA and proposed recommendations to improve the project during its development and implementation to Treasury for consideration prior to Board vote.

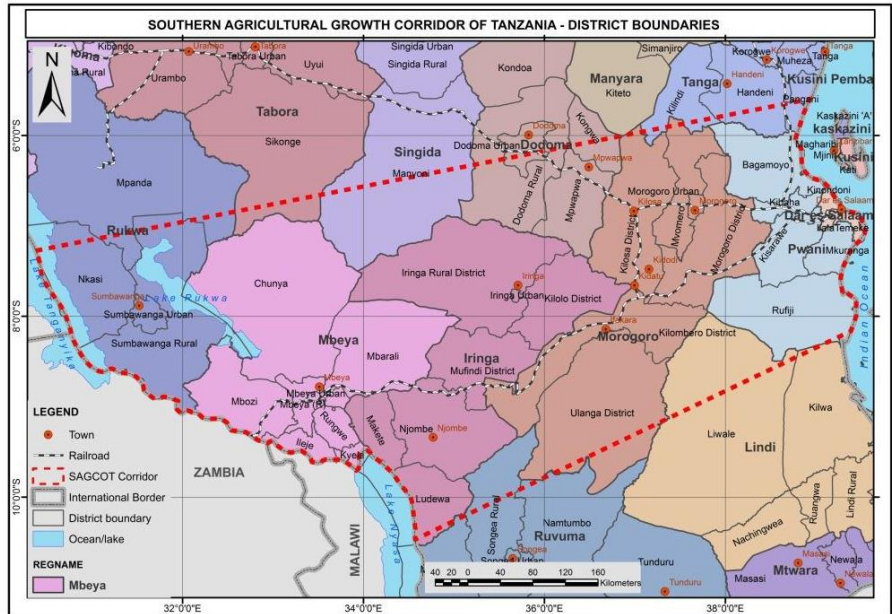
- **Tanzania - Southern Agricultural Growth Corridor of Tanzania**

Project Description:

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) program is an inclusive, multi-stakeholder partnership to rapidly develop the region’s agricultural potential. The SAGCOT program is a multi-donor initiative with USAID, DFID, UNDP, and the Government of Tanzania (GOT) contributing to the SAGCOT Catalytic Trust Fund. The SAGCOT Program originated at the World Economic Forum’s Africa Summit (2010).

The World Bank (WB) proposed financing of the SAGCOT Investment Project will support specific aspects of the SAGCOT program. The Investment Project is designed to support innovative strategies for generating agricultural growth and poverty alleviation through building successful partnerships between smallholder communities and agribusiness investors.

The project’s development objective is to increase the adoption of new technologies and



SAGCOT Corridor demarcated by red-dashes (-----).

marketing practices by smallholder farmers through expanding and creating partnerships between smallholder farmers and agribusinesses in the Southern Corridor of Tanzania. It is expected that there will be about 100,000 smallholder farming households (some 500,000 people) and at least 40 agribusiness operators benefiting from the Investment Project. Indirect beneficiaries will be smallholder farmers not directly supported by the project, and other agribusinesses in the value chains (e.g., input suppliers, transporters and traders).⁵

Financing:

On March 8, 2016, the World Bank Board approved a \$70 million credit for project financing.

USAID Review:

USAID's review of the proposal focused on indigenous peoples and land tenure issues, and to a lesser extent on water resources management issues.

1. **Indigenous Peoples:** The GoT requested a waiver of the WB's Indigenous Peoples Policy (OP4.10), and proposed instead to use a Vulnerable Groups framework to identify the needs of a wide variety of vulnerable groups (e.g., the elderly, disabled, youth, refugees) in the project area. The request for the waiver was based on the GoT's view that the application of OP4.10 is inconsistent with the Tanzanian Constitution, which calls for equal treatment of all ethnic groups by not giving special preference to individual ethnicities.

USAID's technical review concluded that the Tanzanian Constitution is compatible with the application of the World Bank's Indigenous Peoples Policy and does not prohibit the protection of the collective rights of communities. Furthermore, the GoT voted for the adoption of the UN Declaration on the Rights of Indigenous Peoples, and was a Board Member at the World Bank when the Indigenous Peoples Policy was approved by the Board. The African Commission on Human and Peoples' Rights, the UN Special Rapporteur on the Rights of Indigenous Peoples, as well as various UN human rights bodies – including the Human Rights Committee, Committee on the Elimination of Racial Discrimination, and the Working Group on the Universal Periodic Review – have raised concerns with the GoT's unwillingness to recognize indigenous peoples. Classifying indigenous peoples as a "vulnerable group," which the SAGCOT project aims to do, does not afford indigenous communities the protections they need to ensure their long-term survival, maintain their livelihoods, or preserve their collective rights to lands and resources. Granting a waiver to the GoT on this project sets a dangerous precedent, not only in Tanzania, but in all of Africa.

2. **Land Tenure Issues:** The SAGCOT program will involve the conversion of land to agricultural use and likely result in the transfer of some land to domestic and foreign investors. The WB has reported that its funding will not lead to the conversion of village land to privately-held farm land by stipulating that its financing can only go to

⁵ <http://www.worldbank.org/projects/PI25728/tanzania-southern-agriculture-growth-corridor-investment-project?lang=en>

businesses operating on land that has been held for at least three years. Agribusinesses that apply for matching grants under the WB-financed project will have to document their land tenure and their rights must be undisputed. The proposed WB Project is not designed to directly support land acquisition and transfer, but it will provide capacity-building support to SAGCOT Program implementing institutions (SAGCOT Centre and Tanzanian Investment Centre) involved in facilitating private investment in the SAGCOT corridor. Some of this investment could involve the conversion of village land to general land. The World Bank's capacity building support is intended to strengthen the capacity of these institutions to attract high quality, responsible, and sustainable commercial investments.

USAID's technical review concluded that the vast majority of Tanzania's land belongs to villages that not only grow crops, but also use grasslands, forests, water and other resources as integral components of their livelihoods. In Tanzania, village land makes up approximately 70 percent of the land in the country and supports roughly 80 percent of the population. According to an interim strategic environmental and social assessment of the SAGCOT Program released by the GoT (July 2012), there is "significant public concern over what is perceived to be 'land grabbing' by investors and an increasingly vocal civil society willing to speak out on land issues." In addition, there were comments on: the lack of security of tenure and limited rights and negotiating power over land transfers and land use planning; weak land governance; and high levels of corruption. Weak community land rights and a lack of access to information about prospective land deals puts indigenous peoples and smallholder farmers in a position of enormous insecurity.

3. **Water Resources Issues:** The WB designated the project Category A for the likely significant cumulative impacts of developing irrigated agriculture in SAGCOT on critical habitats and sensitive wetlands. The sponsor released a strategic regional environmental and social assessment (SRESA) on December 5, 2013. The SRESA states that the proposed expansion of irrigated agriculture – in a basin already showing signs of water scarcity – is likely to require storage dams and other water infrastructure, but none are specifically planned or assessed. This infrastructure, the increased consumption of water for irrigation, and the use of agrichemicals, are likely to have significant direct, indirect, and cumulative negative impacts on the Kilombero Valley Floodplain (a formally designated Ramsar Site, Wetland of International Importance) and on critical and natural habitats downstream.

Board Vote:

Treasury instructed the U.S. Executive Director to abstain on the project because of inconsistencies with the Pelosi Amendment and the waiver request for the World Bank's Indigenous Peoples Policy.

Section 2

MDB Proposal/Project Monitoring Reviews

Monitoring reviews of an MDB-financed project or proposal are conducted anytime over the life of financial assistance to the project. Monitoring reviews evaluate the incorporation of U.S. Government recommendations from a previously-conducted affirmative investigation or other in-depth ESIA review, and assess the effectiveness of safeguard policies in mitigating negative environmental or social impacts. A desk-based monitoring review is initially conducted to determine if a field visit is required. The criteria for selecting identified MDB projects for monitoring review include consideration of the potential adverse impacts (direct, indirect, cumulative and associated facilities) on the environment, natural resources, public health, or indigenous peoples.

- **Paraguay - Minerva S.A. Beef**

Minerva S.A. is one of the largest meatpackers in Latin America and the second largest beef exporter in Brazil, with a 22 percent market share on beef exports. The company operates in Brazil, Paraguay and Uruguay, with plans to expand activities into Colombia. The project is expected to have significant economic benefits by: 1) supporting the implementation of an environmental and social action plan that promotes a model for sustainable cattle ranching that will set a benchmark for the rest of the industry; 2) supporting continued development of a company that has broad impact on local rural communities through employment of more than 10,000 staff, and linkages to a network of 9,000 farmers in Brazil, Paraguay and Uruguay; 3) contributing to global food security through a sustainable increase in beef production; and 4) promoting rural economic development in frontier regions.⁶

The total project cost is estimated at \$290 million over three years. The International Finance Corporation (IFC) approved an investment of \$85 million through both a loan and equity investment in 2013.

USAID reviewed this project prior to financing and details can be found in the October 2013 MDB Report to Congress. USAID's concerns focused primarily on Minerva's operations in Paraguay, including Minerva's secondary and tertiary suppliers of cattle and impacts on indigenous peoples and biodiversity.

The Gran Chaco region of western Paraguay is the primary source location for cattle farms and is also the home to 13 indigenous peoples, which represent 31 percent of its population. The land rights of these indigenous peoples are not officially protected, as they lack legal titles to their traditional territories. Large sections of the Paraguayan Gran Chaco are being deforested by cattle ranchers from Brazil with subsequent encroachment into indigenous peoples traditional territory. According to a satellite analysis, 232,000

⁶<http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/651aeb16abd09c1f8525797d006976ba/4627ff31488cb32685257b3d00583091>

In 2015, USAID conducted a preliminary monitoring review of Minerva's operations in Paraguay based on the potential for significant environmental and social impacts. The review limited its geographic scope to the Paraguayan Chaco with limited focus on stakeholders and areas visited. A more inclusive monitoring visit is planned for summer 2016. The information obtained on biodiversity and indigenous peoples will be used to provide recommendations to Minerva, World Bank Group and Government of Paraguay. A trip report will be made available to the public.

Section 3

Potential MDB Proposals/Projects for Future Review

USAID monitors the status of selected projects in the project proposal process. These proposals 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 Title XIII reviews; updated information will be provided when available. USAID also monitors some projects that have been financed and are either in construction or operation phases. Criteria for selecting projects include potential impacts (direct, indirect, cumulative and associated facilities) on biodiversity, environment/natural resources, indigenous peoples, or public health. These lists are not inclusive of all proposals or projects that could have adverse environmental and social impacts, but provide an overview of the types of projects that are followed.

Projects recently added to USAID's list of potential projects to review:

Pre-MDB Board Vote:

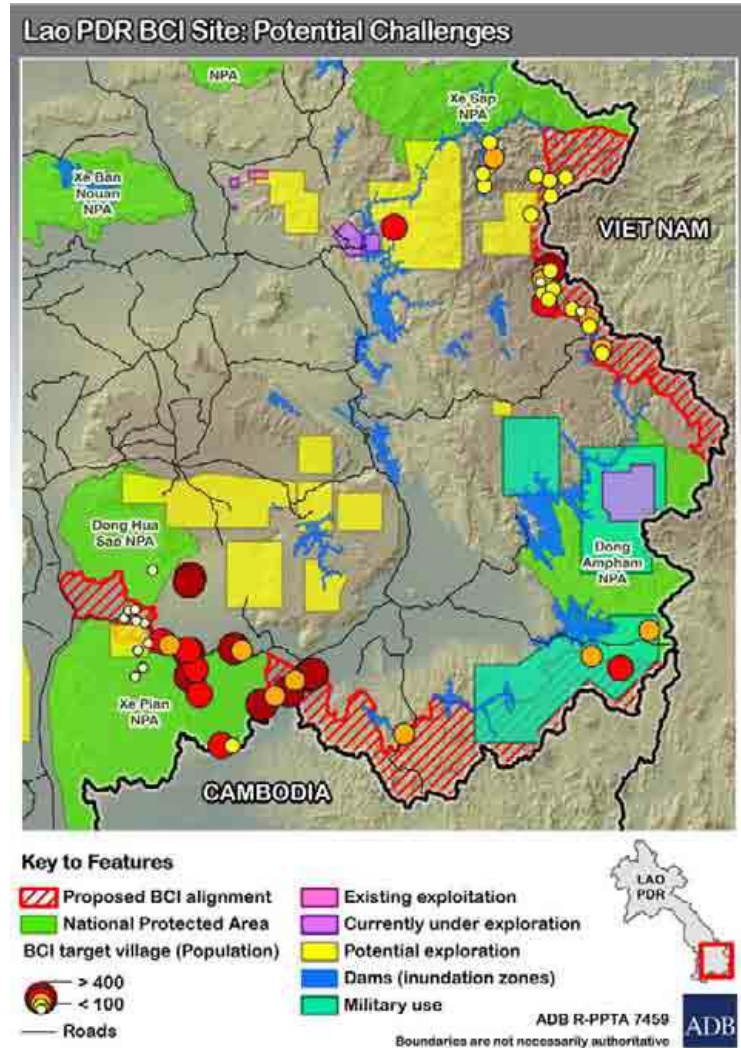
- **Laos - Greater Mekong Subregion Biodiversity Conservation Corridors Project**

The Biodiversity Conservation Corridors Initiative (BCI) is part of an Asian Development Bank (ADB) regional assistance program intended to address the probable impacts on the environment resulting from economic development in the Greater Mekong Subregion (GMS). Biodiversity Conservation Corridors (BCC)⁹ overlap with the proposed economic corridors in Cambodia, Laos, and Vietnam. The BCI was initially funded at US \$400,000, approved by the Board in December 2004, and officially launched in April 2006. The long-term goal of the BCI is that by 2015, GMS countries will have established priority biodiversity conservation landscapes and corridors for maintaining the quality of ecosystems and sustainable use of natural resources while improving people's livelihoods.

⁹ The Biodiversity Conservation Corridors is considered the follow-up suite of programs to the Biodiversity Conservation Corridors Initiative.

In 2011, the Government of Laos was provided additional grant funds¹⁰ to implement the GMS BCC Project in five districts (69 villages) across Attapeu, Champasak and Sekong provinces in Southern Laos, with a total population of approximately 27,377 (2009) consisting of more than 4,700 households. The BCC Project is expected to restore connectivity in the biodiversity conservation corridors by targeted reforestation, enrichment planting, gap filling and natural regeneration. It is also intended to support the livelihoods of the population living inside the corridors by supporting the provision of small-scale infrastructure, the creation of Village Development Funds, and the implementation of village-scale livelihood activities.

The ADB is proposing additional financing estimated at \$12.84 million from the Forest Investment Program (FIP) to the BCC Project.¹¹ The activities proposed under the new grant are expected to complement Laos' BCC Project's efforts to improve biodiversity conservation within the corridor and connectivity between National Protected Areas and other protection and production forest areas. The FIP program area will cover approximately 20 additional villages.¹²



USAID continues to follow the GMS BCC program based on concerns over program effectiveness in maintaining priority biodiversity conservation corridors and sustainable livelihoods following a series of desk-reviews and monitoring visits to ADB's BCI/BCC projects in Cambodia, Vietnam, Thailand and Laos. The Laos corridor has one of the highest development pressures in the region and is bisected by Road 18A, which is in the process of being upgraded, and connects Da Nang, Vietnam and Mawlamyine-Myawaddy, Myanmar.

¹⁰ Grant Agreement of \$20.0 million was signed between the Government of Laos and the Asian Development Bank (ADB) on 14 February 2011.

¹¹ <http://www.adb.org/projects/40253-036/main#project-documents>

¹² <http://www.adb.org/sites/default/files/project-document/152872/40253-036-earf-01.pdf>

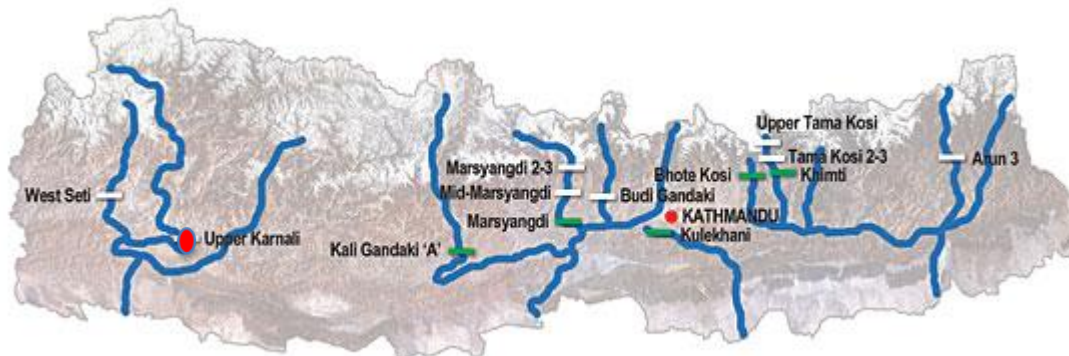
USAID undertook a site visit in March/April 2011 to Laos' southern BCI corridor between Dong Hua Sao and Xe Pian National Protected Areas. Findings from the Laos trip and other BCI trip visits are reported in USAID's MDB Reports to Congress – April 2011, October 2011, April 2012 and April 2013.

Briefly, USAID's recommendations based on information obtained during the 2011 Laos monitoring visit include:

- Refine and expand the current focus of BCI sites to include high biodiversity areas within the GMS, both national and transboundary.
- Provide leadership in integrating green infrastructure into livelihood development activities within the BCI corridors. Roads through corridors are upgraded to accommodate increased traffic flow leading to increased risks to wildlife use of the corridor via vehicle strikes, increased illegal or unsustainable wildlife trade, poaching from the road, and greater access into protected areas.
- Local development activities undertaken within BCI should be designed and implemented using a threats-based approach to strategically address the most pressing causes of threats. Livelihood and local development activities should be directly and substantively linked to improved natural resource management and the conservation of local biodiversity in a sustainable way.
- Provide financial and technical support for the effective management of Protected Areas that are connected via BCI corridors. Ensure the ability of officials to enforce the laws, maintain chain of custody of evidence, and the ability to effectively pursue court cases.
- Initiate a comprehensive monitoring program for BCI that includes: biophysical impact monitoring and threat proxies for interventions that test foundational assumptions of a program and that are based on causal models with indicators at key leverage points; this should include monitoring of the use of the corridor by wildlife.

- **Nepal - Upper Karnali Hydropower Project**

Upper Karnali hydropower project is a 900 MW, 64 m-high, run-of-river/river diversion dam project located on the Karnali River in western Nepal. The project is located in the Dailekh, Surkhet and Achham districts of Nepal.



 **Location of Upper Karnali Hydropower Project**

The purpose of the project is primarily to provide electricity for export to India as part of Nepal’s hydropower policy and proposed power exchange with India, in which India and Nepal will import or export power from each other depending on the season.¹³ The project will provide revenue to the Government of Nepal (GoN) and 12 percent of the electricity generated is expected to go to the domestic grid free of charge.

The project is in its early stages of development by GMR Upper Karnali Hydropower Ltd., the majority shareholder.¹⁴ The project is an IFC Infraventures¹⁵ investment with IFC as one of the project developers. The project received environmental clearance from the GoN in April 2013. The Project Development Agreement with the Ministry of Energy was signed on September 19, 2014. The Directorate General of Foreign Trade of the Government of India granted a long-term license, valid for 30 years, for the import of power from this project.

The Karnali river is a transboundary river, originating on the Tibetan Plateau near Lake Mansarovar, and a major tributary to the Ganges in India. The Karnali river basin is comprised of six sub-basins and tributaries. One tributary is West Seti, where a 750 MW storage hydropower project is under development. A total of 742 glacial lakes were mapped in the Karnali basin with a total area of 29,147 sq. km, which is the greatest lake area in any one basin in Nepal. The Karnali river basin is rich in biodiversity, with the lower part of the basin home to the endangered Ganges River Dolphin.

¹³ <http://www.sify.com/news/gmr-ifc-to-develop-hydro-power-project-in-nepal-news-international-nmutaxhejdc.html>

¹⁴ GMR Upper Karnali Hydropower Ltd., is a subsidiary of GMR Energy Limited (India based) which is also developing Upper Maryangdi 2 Hydropower Project.

¹⁵ The IFC Global Infrastructure Project Development Fund helps develop public-private partnerships and private projects for infrastructure in developing countries. It provides early-stage risk capital and actively participates in the project development phase to create private infrastructure projects that are commercially viable and able to more rapidly achieve financing closure.

USAID is following this project due to potential biodiversity and social impacts. A site visit is proposed in April 2016 to gain a better understanding of the project. The team will meet with stakeholders affected by the project, the GoN, IFC, GMR, civil society organizations, and researchers. Environmental and social information obtained from the site visit and documentation will be used to provide recommendations to the IFC, GMR and the GoN. A trip report will be made available to the public.

- **Nepal - Upper Arun Hydropower Project**

The proposed Upper Arun hydropower project (UAHP) is expected to be a 335 MW run-of-river/river diversion dam project, located on the Arun River. The project is located in the Sankhuwasabha District of eastern Nepal, about 15 km south of the international border with Tibet. The Arun River is part of the Sapta Koshi River Basin in eastern Nepal, which consists of a network of seven major rivers. The Arun River is one of four rivers in the system which originates from a glacier on the northern slope of Mt. Xixabangma Feng on the Tibetan Plateau.



● Location of Upper Arun Hydropower Project

The Arun River borders the Makalu Barun National Park, the eastern extension of the Sagarmatha National Park. Makalu-Barun National Park is included in the Sacred Himalayan Landscape which extends across the Arun River into the Kanchenjunga Conservation Area in Nepal and extends into India and Bhutan.

A number of ethnic groups live in this remote area – including Tamang, Gurung, Rai, Bahun and Chetri. The ratio of each ethnic group varies within villages. Livelihoods are primarily based on agriculture (rice, maize, millet, potato) and livestock. The Arun River’s tributaries are used for fishing, whereas the main artery of the river is too rough for fishing near most villages.

The GoN and Nepal Electricity Authority are developing the project. Since it will be 100 percent owned by the GON, project-affected communities will not have access to project benefit shares, as communities do under the Chilime hydropower project¹⁶ and some other private sector-financed hydropower projects.

¹⁶ The Chilime hydropower project, developed by NEA, is an example of benefit sharing for local communities.

In September 2015, the World Bank approved a \$20 million IDA Credit for the Power Sector Reform and Sustainable Hydropower Development Project¹⁷ which includes technical assistance (TA) for the preparation of the UAHP for financing, including detailed engineering designs and bid documents; the ESIA, including a cumulative impact assessment and mitigation studies; the hiring of a dam safety panel of experts and an environmental and social panel of experts. The TA also provides for a feasibility study and the preparation of basic design, route survey, ESIA, and bid documents for the transmission line projects associated with UAHP and Ikhuwa Khola hydropower project.

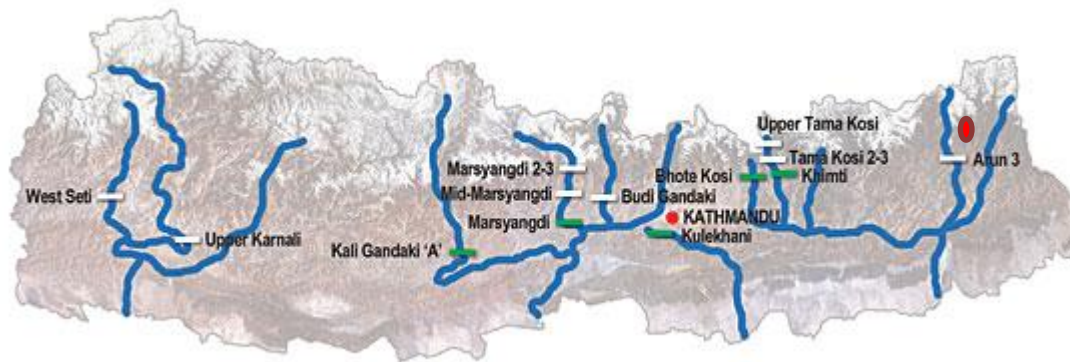
Prior to this financing, USAID conducted an affirmative investigation of the proposed project in June 2014. The trip included a visit to the proposed site of the UAHP power house and a portion of the Arun River that will be subject to reduced water flows. Due to weather conditions, the area of the proposed dam site¹⁸ and upstream reaches were not visited. Given the remoteness of the area, a follow-up site visit is proposed to gain a better understanding of issues and livelihoods of villagers in the upper reaches of the Arun Valley. Similar to the earlier visit, the team will meet with stakeholders affected by the project, the GoN, World Bank, civil society organizations, and researchers. Environmental and social information obtained from the site visit and documentation will be used to provide recommendations to the WB and the GoN. A trip report will be made available to the public.

- **Nepal - Ikhuwa Khola Hydropower Project**

Nepal's Energy Authority identified the development of the Ikhuwa Kholah hydropower project (IKHP) under the Public Company Act in the vicinity of the project area under the umbrella of the UAHP. The IKHP is a proposed 30 MW run-of-river/river diversion dam project, located on a tributary of the Arun River, the Ikhuwa River. The project is located in the Pawa Khola Village Development Committee of the Sankhuwasabha District, approximately 8 km from the proposed location of the Upper Arun power house.

¹⁷ Power Sector Reform and Sustainable Hydropower Development Project – The purpose of the project is to help strengthen the capacity of power sector agencies in Nepal to plan and prepare hydropower generation and transmission line projects along international standards and best practice. <http://www.worldbank.org/projects/PI50066?lang=en>

¹⁸ The proposed dam site is located in a narrow gorge about 350 m upstream of the confluence with Chepuwa Khola in Chepuwa Village.



 **Location of Ikhuwa Khola Hydropower Project**

This project is also included in the World Bank’s Power Sector Reform and Sustainable Hydropower Development Project¹⁹ which includes technical assistance for the preparation of the IKHP for financing, including detailed engineering designs, bid documents and ESIA, including a cumulative impact assessment. The transmission line to evacuate power from the facility is also included in this technical assistance project.

Given the linkages between UAHP and IKHP, a site visit is proposed at the same time as the follow-up visit to UAHP dam site. The team will meet with stakeholders affected by the project, the GoN, World Bank, civil society organizations, and researchers. Environmental and social information obtained from the site visit and documentation will be used to provide recommendations to the WB and the GoN. A trip report will be made available to the public.

¹⁹ Power Sector Reform and Sustainable Hydropower Development Project – The purpose of the project is to help strengthen the capacity of power sector agencies in Nepal to plan and prepare hydropower generation and transmission line projects along international standards and best practice. <http://www.worldbank.org/projects/PI50066?lang=en>

Annex

Pre-financing projects discussed in earlier MDB Reports to Congress and that are still being followed. Board dates are include when the information is available.

- Bhutan – South Asia Sub-regional Economic Cooperation Transport, Trade Facilitation and Logistics Project (SASEC) (potential ADB financing)
- Cambodia – Land Allocation for Social and Economic Development Project, (LASED II) (potential WB phase II financing)
- Cameroon – Nachtigai Hydropower Project (potential IFC financing)
- Colombia – Ituango Hydropower Project (potential IDB financing)
- Guatemala – Land Administration Project II (WB approved 2006, potential for additional financing and expansion of the project)
- Guinea – Fomi Multipurpose Hydropower Project (potential WB financing)
- Indo-Nepal Transmission Line (potential IFC financing – project on hold) Indonesia – Regional Road Development II Project (potential ADB financing)
- Indonesia – Scaling Up Hydropower Development (potential ADB financing)
- Kenya – Lamu Port, Southern Sudan-Ethiopia Transport (AfDB-financed road study, potential additional AfDB financing)
- Laos – Nam Theun 2 Hydropower Expansion
- 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 – Regional Transport Development Project (potential ADB financing)
- Mongolia – Orkhon River Diversion Project (potential WB financing)
- Mozambique – Mphanda Nkuwa Hydropower Project (potential IFC and AfDB financing)
- Nepal – Energy Access and Efficiency Improvement Project III (potential ADB financing)
- Niger – Kandadji Multipurpose Hydropower Project (WB, AfDB financed 2012, 2014)²⁰
- Regional – North-South Corridor: DRC, Zambia, South Africa (potential AfDB, WB financing)
- Regional Isaka – Kigali railway: Burundi, Tanzania, Rwanda (potential AfDB financing)
- Samoa – Port Master Plan and Submarine Cable to Fiji (potential ADB financing)
- Solomon Islands – Tina River Hydropower Project (potential WB financing – tentative board date is in March 2016)²¹
- Vietnam - Second GMS Southern Coastal Corridor Project (proposed ADB additional financing)

²⁰ This project was initially identified as a candidate for an affirmative investigation due to the potential of additional financing for expanded agricultural irrigation scheme. Based on communication with WB and AfDB staff, at this point in time, neither MDB has any foreseeable plans for financing a new operation.

²¹<http://tina-hydro.com/The%20Tina%20River%20Hydropower%20Development%20Project> The IFC is the Transaction Advisor for Solomon Islands Government and is proposing to issue a Request for Proposal for the BBOT contract in the second quarter of 2014. It is likely that the Power Purchase Agreement will be supported by a World Bank Partial Risk Guarantee.

Post-financing projects subject to either Washington-based review prior to MDB-financing or discussed in earlier MDB Reports to Congress and which are still being followed:

- Bhutan – Nikachhu Hydropower Project (ADB approved - 2014)
- Burma/Myanmar – National Community Driven Development Project (WB approved - 2012)
- Burma/Myanmar – Ayeyarwady Integrated River Management (WB approved - 2014)
- Burma/Myanmar – Greater Mekong Subregion East-West Economic Corridor Eindu to Kawkareik Road Improvement Project (ADB approved - 2015)
- Colombia – PetroNova (IFC approved - 2013)
- Ethiopia – Enhancing Shared Prosperity through Equitable Services— (WB approved - 2015)
- Ethiopia – Regional Pastoral Resilience Livelihood Project (WB approved - 2014)
- Ethiopia – Pastoral Community Development Program III (WB approved - 2013)
- Indonesia – Regional Roads (trans-Kalimantan highway) (ADB approved - 2012)
- Laos – Scaling-Up Participatory Sustainable Forestry Management (WB approved - 2013)
- Nepal – Bridges Improvement and Maintenance Program (WB approved - 2012)
- Tanzania – Road Sector Support Project II (AfDB approved - 2012)

Projects which USAID has conducted either an affirmative investigation and/or monitoring field visit for 2002-2015

Project	Country	MDB	USAID*	MDB Rpt
Inga 3 Hydropower Project	Democratic Republic of the Congo	potential World Bank (WB) and AfDB financing	AI-2013	Apr 2014
Mining Sector Reform	Democratic Republic of the Congo	WB - 2002	M-2006	Oct 2006
Forest Sector Reform	Democratic Republic of the Congo	WB - 2002	M-2006	Oct 2006
Baku-Tbilisi-Ceyhan Oil Pipeline	Georgia	IFC, EBRD - 2003	AI-2003	Oct 2004
Ahafo Gold mine	Ghana	IFC - 2006	AI-2005 M-2006	Oct 2006
Nam Theun 2 Hydropower Project	Laos	WB, ADB - 2005	AI-2004 M-2008	Oct 2004 Apr 2008
Nam Ngiep 1 Hydropower Project	Laos	ADB - 2014	AI-2012	Oct 2012
Nam Leuk Hydropower Project	Laos	ADB - 1996	M-2009	Apr 2010
Theun Hinboun (Expansion)	Laos	ADB – 1994 (loan closed)	M-2009	Apr 2010
National Route 3	Laos	ADB – 2004 (loan closed in 2009)	M-2011	Apr 2012
Biodiversity Conservation Corridors	Laos, Cambodia, Vietnam, Thailand	ADB - 2008-2013	M-2011 M-2012	Oct 2011
Kholombidzo Hydropower Project	Malawi	potential AfDB financing	AI-2013	Apr 2015
Oyu Tolgoi Copper Gold Mine	Mongolia	IFC, EBRD - 2013	AI-2011	Oct 2011 Apr 2012
Study on the Ouesso-Bangui-N'djamena Road and Inland Navigation on the Congo, Oubangui and Sangha Rivers	Multinational	AfDB – Technical assistance - 2012	AI-2011	Apr 2012
Trishuli Hydropower Project	Nepal	IFC InfraVentures; potential IFC financing	AI-2014	Oct 2014
Upper Marsyangdi Hydropower Project	Nepal	IFC InfraVentures; potential IFC financing	AI-2014	Oct 2014
Upper Arun Hydropower Project	Nepal	potential WB financing	AI-2014	Oct 2014
Western Integration Corridors Program	Paraguay	IDB- 2000	M-2005	Oct 2004
Yacyreta Hydropower Project	Paraguay	WB, IDB – late 1907s	M-2005	Oct 2004
Camisea Oil and Gas	Peru	IDB - 2003	AI-2003	Sept 2002

Project			M-2004 M-2007	Oct 2004
Liquified Natural Gas Project	Peru	IFC – 2008 IDB - 2007	AI -2007	Apr 2008
Song Bung Hydropower Project	Vietnam	ADB - 2008	AI-2008 M-2012	Oct 2008 Oct 2012
Lumwana Copper Mine	Zambia	AfDB-2006	AI-2006	Oct 2006

USAID* AI – affirmative investigation; M – monitoring visit