

## Data Sheet

<b>USAID Mission:</b>	Nepal
<b>Program Title:</b>	Hydropower Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	367-006
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,700,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$1,900,000 DA
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** USAID's program to increase private sector participation in sustainable hydropower development includes technical assistance and training to: improve the enabling conditions for private investment in hydropower by setting up a streamlined legal and regulatory framework and simpler licensing procedures; strengthen institutional capacity to address environmental and social impacts; assist the Government of Nepal (GON) to implement a new hydropower policy that promotes investment in both domestic and export markets; and establish a Power Development Fund, with World Bank support, to catalyze investment. This program addresses the energy and economic development needs of Nepal and the clean energy needs of the region.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Expand and Improve Access to Economic and Social Infrastructure (\$1,700,000 DA). USAID will fund technical assistance and training to GON entities responsible for policy and energy sector reforms in order to improve the enabling conditions needed for private sector participation and investment in hydropower. Beyond sector reforms, sound guidelines and increased GON capacity to review and approve stringent environmental and social impact assessments are needed. Thus, USAID will provide technical assistance and training to the GON's Department of Electricity Development and other key GON entities, such as the Nepal Electricity Authority, to develop strategies for regulatory and utility reforms in the energy sector. A key goal is to amend the Electricity Act of 1993 to reflect the new hydropower policy that, for the first time, mandates the establishment of an independent regulator and a time table for the state-owned utility to reform and restructure. USAID will also provide continued support to the Power Development Fund which was designed to catalyze investment. USAID will fund training and study tours for key GON officials and policymakers. Principal partner: International Resources Group.

USAID will also promote executive exchanges and energy partnerships between the GON and U.S. regulatory bodies and utilities, which will provide opportunities for GON decision-makers and energy professionals to meet with their peers in the United States and other countries. It will also expose U.S. private businesses to energy sector opportunities in Nepal and the region. This will yield a better understanding of the reform process and an action plan to improve energy efficiency. Principal partner: The United States Energy Association.

Finally, USAID will fund technical assistance and training to local enterprises to develop bankable projects, acquire local financing for these small projects, and build the capacity of local cooperatives engaged in rural electrification. USAID will also promote the development of a clean energy and infrastructure development bank aimed at encouraging investments in small-scale projects that support rural electrification. Principal partner: Winrock International.

**FY 2006 Program:** Expand and Improve Access to Economic and Social Infrastructure (\$1,900,000 DA). USAID will continue activities aimed at promoting policy and regulatory reforms. This will include assistance in formulating a new electricity act, which will provide the necessary legislation for the formation of an independent regulator - The Nepal Electricity Regulatory Commission. In addition to technical assistance and training activities, USAID will fund feasibility studies for five small hydropower projects to assist the GON develop a roster of projects for private sector development. USAID will provide

assistance to launch the first build-own-operate-and-transfer hydropower project through international competitive bidding procedures. USAID will continue training and capacity building study tours for key GON officials and policymakers. Same partner as above.

USAID will continue to fund executive exchanges and energy partnerships aimed at consolidating existing partnerships and exposing U.S. private businesses to energy sector opportunities in Nepal and the region. Important outputs in the energy efficiency and private business arena are expected to result as the partnerships are strengthened. Same partner as above.

USAID will also continue to furnish technical assistance and training to local enterprises to develop bankable projects and acquire financing from local banks. USAID will also provide technical support and training to the clean energy and infrastructure development bank as soon as it is established. As more private power comes on line, more support will be provided to local cooperatives to distribute power to rural areas. Same partner as above.

**Performance and Results:** This program is now in its third year of operation and continues to attract private sector participation in hydropower development. Four new investments were made in FY 2004 totaling \$20 million, thereby increasing cumulative total private sector investments from \$360 million in FY 2003 to \$380 million in FY 2004. This is a very significant increase given the current political and economic difficulties caused by the insurgency. Significant progress was made in power sector reform. The state-owned utility began distribution reforms this year, creating autonomous “profit centers” that reduced losses significantly within only six months of operation. Similar progress was made in establishing a Power Development Fund. With USAID assistance, the GON selected a Fund Administrator and completed final loan negotiations with the World Bank.

This program will benefit Nepal’s poor living mostly in the rural areas, 83% of whom lack access to electricity. USAID’s \$2.0 million investment in FY 2004 successfully leveraged private sector investments in hydropower amounting to \$20 million, a significant return. Each megawatt of hydropower that comes on line electrifies at least 2,000 households and sequesters 6,000 tons of greenhouse gases. This program reduces Nepal’s dependence on fuel wood for its energy needs, thereby reducing deforestation and soil erosion. In addition, harnessing Nepal’s hydropower is paving the way for developing modern sector employment opportunities for millions of Nepalese citizens, reducing poverty and thereby helping to address one of the major root causes of the Maoist insurgency. By program completion, at least 450,000 more Nepalese will have access to electricity. Private sector investment in the power sector is expected to increase by at least 10% per year, creating thousands of low skilled and hundreds of high skilled employment opportunities in rural areas.

## US Financing in Thousands of Dollars

Nepal

367-006 Hydropower Development	DA
<b>Through September 30, 2003</b>	
Obligations	6,737
Expenditures	2,906
Unliquidated	3,831
<b>Fiscal Year 2004</b>	
Obligations	1,638
Expenditures	1,728
<b>Through September 30, 2004</b>	
Obligations	8,375
Expenditures	4,634
Unliquidated	3,741
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	1,700
<b>Total Planned Fiscal Year 2005</b>	
Obligations	1,700
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	1,900
Future Obligations	0
Est. Total Cost	11,975