



Project Summary Information (PSI)

Project Name	Tamakoshi V Hydroelectric Project (TV-HEP)
Country	Nepal
Sector	Energy / Power Generation
Project No.	000261
Borrower	Nepal
Implementation Entity	Nepal Electricity Authority (NEA)
Environmental and Social	Category A
Date of PSI prepared or updated	May 18, 2021
Date of Concept Approval	Dec.18, 2018
Estimated Date of Project Approval	2019 Q4

I. Introduction

Tamakoshi V Hydroelectric Project (“TV-HEP” or the “Project”) is a proposed 101 MW run-of-river hydro generation project. It is designed to operate in a cascade scheme with Upper Tamakoshi Hydroelectric Plant (UTKHEP), which is being under construction. The Project is being developed by Tamakoshi Jalvidjyut Company Limited, a project company currently wholly owned by the Nepal Electricity Authority (“NEA”).

Power shortages in Nepal have been a major constraint to growth as the electricity supply-demand gap in the country persists. To provide a reliable energy supply to both new and existing consumers, Nepal needs to increase generation capacities to meet the demand. Nepal is rich in hydropower potential, a source of low cost, non-carbon renewable energy. The proposed Project is aimed to address the electricity needs in Nepal and thus is considered by the Government of Nepal (“GoN”) as a priority investment project.

II. Project Objectives and Expected Results

The objective of the proposed Project is to reduce the supply and demand gap by providing additional power to the national grid. The Project would also help stabilize the grid by contributing to meeting the daily peak demand.

The proposed Project would provide benefits to most sectors of the economy and the population in Nepal. The primary beneficiaries would be energy users from residential, agricultural, commercial and industrial sectors, who would experience more reliable supply of electricity and fewer outages.

The key results indicators are expected to be: (i) the newly added generation capacity (MW); and (ii) the energy available (MWh) to the grid.

III. Project Description

The Project comprises four components listed below.

Component 1: Civil and Hydromechanical Works, comprising the construction of the Project's hydraulic structures, all of which will be underground, and the installation of hydromechanical equipment;

Component 2: Electromechanical, Transmission Line, and Infrastructure Works, comprising the installation of electromechanical equipment and the construction of a small loop of double-circuit lines to existing transmission lines, permanent and temporary workers' camps, and access roads within the project site;

Component 3: Implementation of Environmental and Social Management Plans (ESMPs), including activities for resettlement compensation and livelihood restoration, monitoring of the catchment in terms of flows, watershed and sediment for optimal operation of the Project, and an early warning system for the communities;

Component 4: Construction Supervision, Implementation Support, Technical Assistance, and Monitoring and Evaluation of the Project Impacts and ESMP.

The GoN has requested for a grant from the Bank's Project Preparation Special Fund (PSF) to support the additional preparation required by the Bank's policies, including additional technical reviews and environmental and social studies. These activities will be implemented by NEA.

IV. Environmental and Social

The Project is subject to the Bank's Environmental and Social Policy (ESP) and all three Environmental and Social Standards (ESSs) are applicable: ESS 1 – Environmental and Social Assessment and Management; ESS 2 – Involuntary Resettlement; and ESS 3 – Indigenous Peoples. The Project has been classified as **Category A**.

The Project is located within the Gaurishankar Conservation Area (GCA); however, the "Regulatory" Environmental Impact Assessment (EIA) of TV-HEP, approved by the Ministry of Environment in June 2016, concludes that the Project is "environmentally feasible and the identified impacts in physical, biological, socioeconomic and cultural environment are mostly ranked as low to moderate and these impacts could be managed to an acceptable level by applying proper preventive, mitigation and rehabilitation measures." AIIB has determined that preparation of a Supplemental Environmental and Social Information Package will be necessary to fully understand the potential environmental and social risks and impacts of the Project and identify proposed measures for their management in a manner consistent with the ESP.

Land acquisition is expected to be limited to 28.5 hectares for the construction of the Project structure and facilities. In total, 35 households with 177 persons are tentatively

estimated to be affected by land acquisition, mostly limited to economic displacement. Only two of these households are expected to be physically displaced to date. At the same time, since the basin is experiencing rapid hydropower development, with 586MW under construction in the GCA, including the UTKHEP (456MW), there could be significant cumulative impacts, resulting in complete conversion of the Tamakoshi aquatic ecosystem into modified habitat.

During project preparation, the Supplemental Environmental and Social Information Package will be prepared to address information gaps identified during the Bank’s initial site visit (Sept. 2018). This will include, but not be limited to, an assessment of climate change risks, downstream impacts, and a cumulative impact assessment that will include both the UTKHEP and the proposed Project. Stand-alone documents will include an Environmental and Social Management Planning Framework (ESMPF), Biodiversity Action Plan (BAP), Land Acquisition and Livelihood Restoration Plan (LALRP), Stakeholder Engagement Plan including Grievance Redress Mechanism, and a Vulnerable Communities Development Plan (VCDP) that is informed by a Free, Prior, and Informed Consultation (FPICon) process. These studies will include, as appropriate, use of public disclosure and consultation processes to support their preparation.

As per ESS 3, the Project will be required to undertake FPICon under the guidance of a qualified and experienced independent expert. FPICon is an enhanced consultation process that requires documentation of a mutually accepted process of consultation between the Project and the concerned Indigenous Peoples and evidence of Broad Community Support of these communities on the outcome of the negotiations.

As the Project is on an international waterway, the Bank will conduct a review of the potential need for a riparian notification process, consistent with the provisions of the Operational Policy on International Relations.

AIIB’s Policy on the Project-affected People’s Mechanism (PPM) is applicable. The Project-affected People’s Mechanism has been established by AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB’s failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level Grievance Redress Mechanisms or AIIB Management’s processes.

V. Estimated Project Cost and Financing Source

The estimated total cost for the Project is USD 165 million, to be funded by a sovereign-backed loan from the Bank and counterpart funds to be provided by GoN/NEA. A preliminary project cost and financing plan is outlined in the table below, which will be further developed during project preparation.

No.	Component	Cost Amount	AIIB	GoN/NEA
1	Civil & Hydromechanical Works	75	52.5	22.5

2	Electromechanical Equipment, Transmission Line & Infrastructure Works	65	45.5	19.5
3	Implementation of Environmental and Social Management Plans (ESMPs)	15	7	8
4	Construction Supervision, Implementation Support, Technical Assistance, and Monitoring and Evaluation of the Project Impacts and ESMP	10	7	3
	Total	165	112	53

VI. Implementation

The Project will be implemented by NEA.

All contracts will be procured in accordance with the Bank's Procurement Policy (<https://www.aiib.org/en/policies-strategies/procurement-policies/procurement-policy.html>) and Interim Operational Directive: Procurement Instructions for Recipients (<https://www.aiib.org/en/policies-strategies/procurement-policies/interim-operational-directive.html>).

To find out more on business opportunities, contact the Borrower or visit: <https://www.aiib.org/en/opportunities/business/index.html?business=investment>

The proposed project implementation period is from December 2019 to December 2024.

Contact Points

AIIB

Mr. Pratyush Mishra
Investment Operations Specialist
Infrastructure Investment Department Region 1
Tel: +86 10 8358 0178
Email: pratyush.mishra@aiib.org

Borrower

Mr. Dil Bahadur Chhetry
Under Secretary
Ministry of Finance, Government of Nepal
Tel: +977 1 421 1372
Email: chhetrydb@mof.gov.np

Implementation Entity

Mr. Nasib Man Pradhan
Project Manager, Tamakoshi V Hydroelectric Project
NEA / Tamakoshi Jalvidjyut Company Limited
Tel.: +977-1- 5111168/69
Email: tamakoshi5@nea.org.np