

June 11, 2015

Approved by mail: Nepal: Expansion of IFC-PPCR Strengthening Vulnerable Infrastructure Project (IFC)—comments from Germany

Dear Colleagues,

We have **no major** objections to the implementation of the project. However, we have some observations (see **bold** highlights), which we would like to see incorporated during project implementation. Moreover, we recommend considering our earlier comments on the *Building Climate Resilient Communities through Private Sector Participation* project, submitted on August 31st 2012, as well as on Nepal's *SPCR*, submitted on October 13th, 2011.

Individual Comments on the Proposed Project

We generally support expanding the scope of the *IFC-PPCR Strengthening Vulnerable Infrastructure Project* by directing additional resources to climate proofing of vulnerable hydropower plants. The proposal states that “the Government of Nepal has decided not to use \$14.4 million in concessional finance for projects that was originally allocated to *ADB's Building Climate Resilience of Watersheds in Mountain Eco-Regions Project*. Therefore, these \$14.4 million in concessional finance are currently available for projects that meet the objectives described in Nepal's *SPCR*”. However, it does not provide any background information on why these funds have remained unused so far and why the Government of Nepal took the stated decision. **Therefore, we recommend elaborating in greater detail the rationale behind the reallocation of financial resources (\$14.4 million in concessional finance) within Nepal's endorsed SPCR.**

Moreover, we welcome that reference to possible impacts of the recent devastating earthquakes on the implementation of the proposed project is made and noted that, according to the current information base, significant impacts in terms of time and costs are not expected. However, since the process of gathering information on the impacts of the earthquakes on the proposed project is still ongoing, we are somewhat concerned that the currently limited resources on national level could result in significant delays in project implementation. **Thus, we suggest carefully revising the timeframe for project implementation and adjusting it to the currently available capacities and resources, if needed.**

With regards to the proposed results framework, we are very pleased to see that some of the indicators have been adjusted after our earlier comments and are now more outcome-oriented. Yet, the indicators would still benefit from another revision, as they do not entirely capture if the project is able to achieve its objectives (e.g. the relation between creating jobs and strengthening climate resilience remains unclear). **We therefore recommend revising the indicators and targets presented in Section 14 so that they are better able to measure the project's actual contribution to fostering climate resilience. Moreover, we kindly ask specifying the target of indicator (c). The current target “1-5 hydropower facilities integrating climate resilient measures and technologies” exhibits a broad range, which offers too much room for interpretation of the project's success.**

The project intends to finance up to five hydropower projects. In a footnote it is mentioned that “each project has been selected on the basis of the financial and technical strengths of the projects sponsors as well as their ability and willingness to work with IFC and meet its financial, social and environment standards”. However, the proposal does not mention if site-specific vulnerability assessments and other climate-related information have informed the selection procedure. **Thus, we kindly suggest clarifying if and to which extent vulnerability assessments have been carried out and taken into consideration in the selection process of hydropower sites.** Moreover, the proposal does not seem to elaborate in sufficient detail on the social and environmental risks of the foreseen hydropower projects. **Therefore, we strongly recommend stating to which extent social and environmental risks have been taken into consideration in the project design and how the project intends to mitigate these risks.**

Comments on Cross-Cutting Issues

Gender

We highly welcome the efforts undertaken to integrate gender aspects in the project proposal. However, reiterating our earlier comments, **we kindly suggest also reflecting gender considerations in the results framework by adding additional indicators or disaggregating existing indicators by gender.**

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