

## **Expansion of IFC-PPCR Strengthening Vulnerable Infrastructure Project**

### **IFC responses to the comments from Trust Fund Committee members**

**June 2015**

<b>Comments from Germany</b>	
<b>Comment</b>	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 <i>Building Climate Resilience of Watersheds in Mountain Eco-Regions Project</i> . 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 <u>why</u> these funds have remained unused so far and <u>why</u> the Government of Nepal took the stated decision. <b>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.</b>
<b>IFC Response</b>	The <i>Building Climate Resilience of Watersheds In Mountains Eco-Regions Project</i> was a public sector project that would require the government of Nepal to use the concessional finance available for it as a loan. As a low income country faced debt distress, it did not seem prudent for the public sector to take on additional debt, and therefore, the funds have remained unused. Financing a private sector project implemented and co-financed with IFC does not require a sovereign guarantee, and thus the funds can be utilized to meet the objectives of Nepal’s SPCR without adding to the national debt.
<b>Comment</b>	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. <b>Thus, we suggest carefully revising the timeframe for project implementation and adjusting it to the currently available capacities and resources, if needed.</b>
<b>IFC Response</b>	IFC agrees with the suggestion and will certainly revise implementation timelines if required. As mentioned in the program proposal, the impact of the April/May 2015 earthquakes and aftershocks, are currently under review by IFC. At this point in time, with the information currently available to IFC, there is no expectation of significant impacts at the potential project sites and on project costs, although it is likely that the timing for commitment may be slightly delayed in order to complete the additional review mentioned above. Moreover, the hydro projects that are currently in IFC’s pipeline have taken into account the possibilities of earthquakes in their design and projects specifics include resistance to earthquake and seismic shocks. It should also be noted that the pipeline projects do not have any pondage/reservoir needs to raise concerns about flooding events. As the IFC team continues to monitor and review the

	impact of the recent earthquake on the proposed IFC-PPCR Project, changes will be made as needed.
<b>Comment</b>	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). <b>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.</b>
<b>IFC Response</b>	<p>Thank you for this comment. IFC has consulted the PPCR Monitoring and Reporting Toolkit and IFC-PPCR proposal has included the most appropriate PPCR core indicators (score card 3 and 4 of the reporting document). IFC has also included other indicators in the IFC-PPCR proposal that are project-program level indicators. These will be tracked following IFC's M&amp;E system and reported to the PPCR Sub-Committee (such as the amount of finance leveraged) through the PPCR Reporting exercise every year.</p> <p>Indicator (a) included in the IFC-PPCR program proposal is very important to monitor the leverage of PPCR funding against private investments in climate sensitive sectors. IFC would like to keep this indicator and report on it in the comments for "Number of Businesses" indicator under PPCR Core Indicator 4.</p> <p>Indicator (b) in the IFC-PPCR proposal (New jobs created) will be reported for PPCR Core Indicator 5, Number of people supported by the PPCR to cope with the effects of climate change.</p> <p>Indicator (c) included in the document <u>is</u> a PPCR Core indicator (will be reported for core indicators 3 and 4). IFC is revising the target for indicator (c) (Extend to which vulnerable business use PPCR supported tools, instruments, strategies to respond to climate change) and narrowing it down to 1-2 hydropower facilities. There may be indirect effects in fostering climate resilience in the sector, and thus we will add an additional indicator of 3-4 hydropower facilities that integrate climate resilience measures through indirect demonstration effect and separate them from 1-2 that directly integrate climate resilience measures via PPCR investments.</p> <p>As noted by the comment, the Indicator (d) - MW of electricity protected through the adoption of climate resilient technologies - in the IFC-PPCR proposal was included in response to earlier observations and suggestions by the SubCommittee. Sedimentation processes and silt are reducing output from hydropower generation. Adopting of climate resilient technologies (e.g erosion resistant turbines) under PPCR can significantly increase output of the electricity and should be part of the results reported for this project/program.</p>
<b>Comment</b>	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. <b>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.</b> Moreover, the proposal does not seem to elaborate in sufficient detail on the social and environmental risks of the foreseen hydropower projects. <b>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.</b>
<b>IFC Response</b>	One of the sub-projects is at an advanced stage of carrying out climate risk assessments. Social and environmental risks are being assessed for the same project following IFC Performance Standards framework. It should be noted that <b>Social and environmental risk assessment and vulnerability assessment for infrastructure is a standard requirement of IFC's operations.</b> Similar risk assessments will be performed for each sub-project that will be implemented under this program. In other words, all of the sub-projects supported with PPCR funds will include mitigation measures against those risks. These assessments and mitigation measures will be part of IFC's documentation that will be presented to the IFC Board at the time of project approval.
<b>Comment</b>	We highly welcome the efforts undertaken to integrate gender aspects in the project proposal. However, reiterating our earlier comments, <b>we kindly suggest also reflecting gender considerations in the results framework by adding additional indicators or disaggregating existing indicators by gender.</b>
<b>IFC Response</b>	IFC fully adheres to the IFC and the World Bank gender policy. As it was mentioned in the program proposal is reviewed against IFC's Performance Standards on Environmental and Social Sustainability, which have very strong provisions on gender as well. Improved access to electricity benefits both men and women. Moreover, the development of a sustainable hydropower sector will create new opportunities for women's employment and businesses. Women and children are direct and major beneficiaries, gaining access to cleaner energy services in homes that offer far superior services, improved access to essential health and educational services, greater economic opportunities, and lower costs of accessing better energy services. On the suggestion of disaggregating existing indicators by gender, while IFC can negotiate this with clients, we cannot, at this stage, offer assurance that the client will be able to do it.
<b>Comments from the UK</b>	
<b>Comment</b>	We did note however that there was no risk assessment within the program proposal, and would assume that risk management will be carried out at the project level as the individual projects are developed. We would certainly advise that these are monitored closely and mitigated appropriately.
<b>IFC Response</b>	Because IFC submits program proposals at a fairly early stage in the project cycle (unlike what Sub-Committee members may receive for public sector projects), we are unable to

	provide risk assessment reports at the time program proposal submission. IFC would like to confirm that the risk assessment will be made on a project-by-project basis after the PPCR Sub-committee approval when IFC develops individual projects for the IFC Board approval. Please also see response to comments from Germany on this point above.
<b>Comment</b>	We would suggest that there is considerable potential for a demonstration effect attached to this program, and recommend that this should be maximised by incorporating plans for lesson learning and knowledge dissemination into project implementation.
<b>IFC Response</b>	IFC acknowledges the comment and plans to emphasize collecting lessons learned and sharing knowledge during program implementation. Examples include industry events such as “Nepal Hydro Days,” and specialized workshops on hydro resiliency of hydropower. Given that there are several projects that IFC is considering in hydropower in Nepal, any lessons learned will be indeed used by IFC to inform the other projects and spread among broader community (both internally in Nepal and with other PPCR pilot countries).
<b>Comment</b>	We also noted that the indicators included within the proposal did not align with the indicators from the PPCR results framework itself. It would be valuable for the purposes of future results reporting if project proposals could show how their planned activities will fit with the set of core indicators developed for the PPCR.
<b>IFC Response</b>	Please see response to comments from Germany on this point above.