ANNEX 10
REACTION TO COMMENTS RECEIVED

„Stakeholder comments are to be addressed, either directly by editing the questioned item in the report, or else by giving an explanation in an Annex“. The report and all annexes have been revised and edited considerably. Comments that were not, or not fully addressed are included in the present annex, below.

Stakeholder comments	**Evaluation's response**
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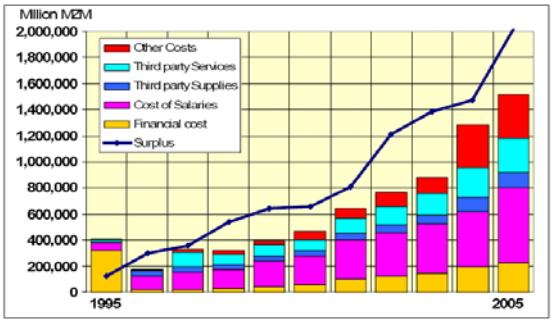
Make sure that the ***electrical units are coherent with the concept*** that is being explained. The saving in the discussion refers to value of "**energy** not supplied" (ENS) whereas the electrical unit reported is **power** "30MW" which says very little about ENS.	Common practice is used to deal with load shedding. A utility may have to shed 30 MW, during a certain number of hours, this then is energy in MWh. Duration of load shedding is given in annex 3, where the detailed situation is presented. However, more details are now given in the main report.
The other implication of this paragraph is that the three power stations have an effective run- time of 6000 hours/year; 470 GWh divided by 77.4 MW which is the total capacity of the three plants mentioned in this paragraph. Is this a reasonable figure for run-time?	Yes. Data are based on BPC operation records. The schemes have a better water availability factor than the national average. It is different for Jhankre that has a lower run-time because of a lack of water.
Any reason why the power purchase costs (of EDM) cannot be stacked in the same figure and avoid unnecessary clarifications before and after this figure?  Figure 1: EDM Revenue Surplus and Major Cost Drivers 1995 to 2005	The line is the difference between gross revenue and purchase cost, i.e. the surplus. The point made is that costs follow revenue, so economies of scale do not occur.
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As a background, the report refer to the State of the Art Study's findings (page 8); "The assumption (in the Norwegian development cooperation policy and strategy, page 13) has been that increased production and supply of energy would support economic growth and that the economic outcomes later on would "trickle down" and reduces poverty and has other impacts on the standard of living of the inhabitants. Further, the State of the Art Study concludes "that reliable information on the results of power related assistance is weak, including the effects for national, regional and local economic development, on trade and industries, and for the population in general. **More analyses and discussions are necessary in order to accept this conclusion and to use it as a background for the "Evaluation of Norwegian Power-Related Assistance".**	Reference to the State of the Art Study in connection with the evaluation report is misplaced. The evaluation has been asked to use it as background material, and an analysis of specific State of the Art Study statements has not been a part of the TOR of the evaluation.
Detailed discussion on Norwegian assistance to cross border power trading should have been included. On page 29 the report states; *"In Nepal, and as far as can be seen*	The evaluation covered the period form 1980 to 2006. In this period, Norway did not get involved in power trading issues, except to an

in Angola and Uganda, the question of import/export of power, is not directly relevant in relation to Norwegian assistance". This is further discussed briefly in Annex 3 page 59. The report does not give any clear answer to WHY this is not relevant and it does not at all mention the power trade seminar that was arranged 2 February 2007 by the Norwegian Embassy, Norad, Nordpool Consulting and NEA which was a huge success. ……	extent indirectly in the IPPAN support, which was not an intervention included. The report is quite clear about the political issues between India and Nepal, and as long as these are not moving towards a solution, which has not been the case during the period under review. So it was not relevant or prioritized by Norway.
Development of the hydropower sector is in almost all developing countries plagued by large-scale corruption. This problem must be addressed.	An attempt is made to include corruption in the report. However, the projects evaluated do not provide any clue that the problem has been addressed in any manner.
More and better donor co-ordination is an issue that should have been discussed and highlighted in the report.	The evaluation has reported on the evidence found, which was limited to Mozambique.
Regional cooperation does also deserve more attention. SADC/SAPP is discussed on page 48 and 49, but is excluded in "Recommendations", page 58.	There is no recommendation for two reasons: a) Major support to SAPP and power trade is currently provided by the U.S. and Sweden, and b) Norway has already initiated a new initiative in this area.
On page 31 the report states; "In some situations, Norwegian assistance is seen as supporting Norwegian private sector interest more than the recipient country interest. Such a situation arose when Norwegian investors negotiated the power purchase price for the Khimti HEP with the Nepal government" This is further elaborated in Annex 3.12 (page 57) where the review team has interviewed one of the participants present in the negotiations. Where are the statements and interviews from the Norwegian investor? Without balancing the viewpoints this statement is worthless. What was the political situation in Nepal during contract negotiations, what kind of risks were involved, why is it so extremely difficult to attract private investors into hydropower investments?	The evaluation has attempted to provide an account of the recipients view. The information source is a trustworthy one, and the outcome of the negotiations is well documented. Hence, basically there is no need to "hear the other side," and the statement by the Nepali side is by no means worthless. The last question however, is well outside the scope of the present evaluation, but it deserves further research.
The importance of economical, technical and environmental sustainable projects is one of the key factors to success. This is not clearly stated in chapter 4.2 Success Factors and Constraints Causing Failure, page 29.	This is considered to be a general statement of little value for learning. The final report elaborates more on this.
Hydro Lab is listed as an example of a successful project even if it is not economical sustainable and still depended on development aid. Considering the fact that Hydro Lab has been in operation since 1989, it is difficult to agree that this project is one of the most successful in Nepal.	The evaluation does not use the formulation "one of the most successful in Nepal". Sustainability is assessed critically in annex 3. The comment is not considered in report revision.
……..	
The report must be organised differently. The results must be assessed against the goals and strategies in place at the time of the interventions, and not give a general assessment of weather the projects have resulted in anything. One example is to consider Norad's previous belief in "trickle-down" effects.	Assessment against goals and strategies in place at the time has been done in the country annexes. In the main report, the report structure follows the TOR of the evaluation, and cannot be changed.
The report must distinguish better between evaluation of the selected projects on one hand and what can be learned and recommendations on the other.	This is improved in the final version

Our contacts tells us that the Cahora Bassa projects is controversial and has had a negative impact on shrimp-fisheries should be mentioned.	The evaluation has the same informal information. However, there is no connection between Norwegian assistance and Cahora Bassa, and the evaluation cannot step on this "hot turf" without mandate.
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The Embassy was surprised to note that the evaluation has apparently not looked into rural electrification as an end in itself. The evaluation appears to conclude that the better off households benefit more from electrification than the poorest households, and therefore electrification has little value for the poorest households.	It is indeed the case that measurable impact of electricity is smaller on poorer households than on better-off households, because the poor consume less. This does not mean that electrification has little value for the poorest households, and is not a conclusion drawn by the evaluation.
The report seems to take an unnecessarily risk-averse stance – for instance in the Jhankre project where the KREC was the first electricity co-operative in the country. The report appears to imply that it was hasty to begin with the first one – should we always wait for "better times"?	A risk-averse stance is not intended. The report merely points out the risk that exist with KREC. On the other hand, the evaluation commends Norway for the approach.
This is further reflected in the recommendation to focus upon smaller projects and the upstream and the downstream benefits. …… Nepal will not be electrified, or have significant economic growth for that matter, through an endless series of 10 MW projects.	As far as risk is concerned, there is much evidence that large projects bear larger risks, especially in terms of time delays and cost overrun. This has led to the present power shortage. The evaluation points out that risk when further pursuing large projects. A clarification is also needed: "smaller projects" refers to small size schemes. The second sentence is a debatable statement, as not all sector experts would agree. However, its elaboration may be outside the scope of this evaluation.
The Embassy is today actively involved in promoting power trade with India, and strongly feels that this is an area that Norway should be involved in, not the least since Norway is one of the leading experts on power trade. The Embassy supports large-scale development and power-trade based upon the increase in income from royalties for the government – income that at least potentially can go to fund additional efforts within in the social sectors and help promote long-term independence from aid for Nepal. We therefore disagree with the negative comment on page 29 concerning power-trade.	The final report has revised the referred section, without however, fully taking the embassy's view, but making this other view clear.
…This carries on into the recommendation that Norwegian assistance should be concentrated on small and medium-sized projects and not large export-oriented projects, since export to India is, from the author's point of view, dependant upon political agreement between India and Nepal.	Political agreement between India and Nepal (on power trade) is a prerequisite, as it requires a bilateral agreement, or a mutual political statement that an agreement is not needed because electricity is treated as a common trade commodity.
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….In stead we would expect the team to discuss more the need for, and the possibility to attract private investors.	An attempt is made in the revised version.
P 6. Paragraph 2, "Although the exact course of events…..the civil war in Mozambique came to the fore". What is the meaning with this paragraph? Further the report discusses the cold wars impact on the development in Africa, and the liberation of South Africa.., this	The section has been revised. However, the evaluation is of the opinion that the situation in South Africa has been an important element in (political) support to Mozambique.

paragraph seem to carry no substantial importance, and is not important.	
<u>The rural impact study in Gurue:</u> One main consultant, assisted by 5 interviewers did a field visit of 20 days. 5 interviews X 20 days means that each interviewer did one interview per day. Why not more? (P 18).	The household survey was only a part of the field work. Much time was used visiting, public offices, schools, hospital, industries and businesses.
….The following discussion on household profile should be checked with the on-going census soon to be finished.	The evaluation will not have this possibility due to time constraints. However, such a study would be useful, and should be done when census data are available.
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1. Although small, Hydro Lab's sister company Hydro Consult Pvt Ltd (HCPL) -which is different from BPC Hydroconsult - is also one of the companies that are established with Norwegian Assistance (100%). It would be nice to have it mentioned, ...	It was not included in "projects" evaluated, as applies also to a number of other interventions
3. Under 4.4.: Should not Stakraft Anlegg/NCC be mentioned as one of the stakeholders, as they were the main contractor on Khimti?	This was private sector Khimti implementation. Not Norwegian assistance
4. Under "Sustainability of Infrastructure Projects", pg. 44 It is written regarding Jhankre "The concept of a rural electric cooperative is as yet untested in Nepal" There are several RE coops in Nepal that has been operating for years. E.g. talk to Gopal Sanjel in South Lalitpur Rural Electrification Co-op. I guess they can tell you a littlebit about the sustainability aspects of their operation as well.	…of a very different nature that came into being after KREC, and the respective chairmen are in contact. The statement, in our view is still valid.
5. Figure 8, pg.45 Jhankre and Andi Khola are given a very high score when it comes to benefits for the poor, partly because of the good coverage of rural electrification. Why is RE counted as a positive impact for the poor when you in 6.2 argue that RE benefits for the poor are miniscule, and often negative in monetary terms?	Has been edited.
6. Under 6.5. Conclusions, you mention the information gap when it comes to the impact on poverty. This gap surely exists when it comes to RE etc, but there is no information gap when it comes to knowing how the poor can benefit from commercial hydropower projects: That is to give them access to the money stream; in other words to facilitate them in to ownership of the profitable hydropower projects. I see that as a consclusion from my learning in Nepal (and also when reading through your report): The benefits for the local poor from hydropower projects are usually intangible unless they actually become owners and enjoy the share dividends. Norway could advocate policy change in this area; to make it compulsary for commercial hydropower developers to dedicate a certain amount of shares to local poor people. For this good modalities have to be developed.	Agreed
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....We understand that marketing is an important tool for expanding the business in any kind of industry. However, what specific marketing you have been thinking is not very clear to me. As you know, our potential clients are present	Have been thinking of the need for specific marketing expertise.

and potential hydropower developers and owners. Through our professional work and other means of information dissemination, the hydropower community in Nepal is fully aware of the services available and professional capacity.	
However, we have developed additional skills such as turbine efficiency measurement and sediment monitoring in power plants over the period of first phase of cooperation which has been filling up the gap created by lack of hydropower development activities. During last couple of years, we have been able to expand our activities to Bhutan and in India, particularly in the field of turbine efficiency measurement, sediment monitoring in power plants and training to the engineers and technician. We consider this as a step forward to be recognized in the region. We have also established contacts with some of the hydropower developers in Himachal and Uttaranchal states in India.	Goes exactly in the right direction, but marketing expertise may still be needed.
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Any statement (or even criticism) on electrification projects not globally being accepted as having an extensive basis in pure political motivation (ref. page 22 in the Final Report and the reference to "*Causes for failure at page 30)* proves a limited knowledge on policy, both in Norway and globally, for this kind of projects. In Norway extensive amounts have been used for this purpose and are still accepted in the deregulated Norwegian industry.	The evaluation does not make a value judgment, but finds it important to identify the true motives and justification for projects as political, to put economic justification also provided in those projects into perspective.
I'll find it a bit strange that the perspective of private sector involvement has not been discussed as seen from Mozambique. All major transmission projects being discussed and even implemented in Mozambique after 2000 (Motraco, Corridor Sands, supply to the Moma mining project) has been characterised by extensive involvement of the private sector. The same goes for new generation projects (e.g. the Mpanda Uncua project, the Massingir hydro project, the Moatise coal fired project and the new big gas fired power plant project related to the Pande gas resources).	Agreed, but these projects have no connection to Norwegian assistance, except for the advisory of NVE to DNE and the Ministry in connection with project agreements. Hence, there has been no purpose of the evaluation to look into these projects, or private sector involvement in general. The Mpanda Uncua (Mphanda Nkuwa) is different. It has been addressed in the evaluation.
The involvement of Norwegian public institutions is not necessarily a pre-requisite for Norwegian financial support (as stated under section 4.4.5 at page 39). In case of NVE the most typical basis for this involvement has been that the appropriate institutions in the countries explicitly have requested support from NVE!	The paragraph is misread: It says that the engagement of public sector institutions depends on Norwegian funding. This is correct even when recipient institutions request the support.
I find that the conclusion made at page 44 in relation to the efficiency of the support to MIREME definitely would need to be amended as the evaluators demonstrably do not have a proper information on the outcome of the support (e.g. in relation to the development of a complete set of regulations and the advisory services provided to the various licensing projects).	Efficiency is calculated as output divided by input. The outcomes referred to are reflected in effectiveness and relevance scores.