



1. Project Data

Country

India

Practice Area(Lead)

Environment & Natural Resources

Programmatic DPL
Planned Operations: 2

Approved Operations: 2

Operation ID

P124041

Operation Name

IN: HP DPL Green Growth

L/C/TF Number(s)

IBRD-81960

Closing Date (Original)

30-Sep-2013

Total Financing (USD)

100,000,000.00

Bank Approval Date

06-Sep-2012

Closing Date (Actual)

30-Sep-2013

IBRD/IDA (USD)
Co-financing (USD)

Original Commitment

100,000,000.00

0.00

Revised Commitment

100,000,000.00

0.00

Actual

100,000,000.00

0.00

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Operation ID

P143032

Operation Name

DPL 2 - Inclusive Green Growth in HP (P143032)



L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
TF-16957	30-Nov-2014	100,000,000.00
Bank Approval Date	Closing Date (Actual)	
16-May-2014	30-Nov-2014	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	0.00	100,000,000.00
Revised Commitment	0.00	100,000,000.00
Actual	0.00	100,000,000.00

2. Program Objectives and Policy Areas

a. Objectives

The operation under review, aimed at supporting the Government of Himachal Pradesh's (HP) program for promoting inclusive green growth and sustainable development across key engines of economic growth, namely energy, watershed management, industry and tourism. The operation was supported a series of through a series of two Development Policy Loan (DPL1 and DPL 2) operations.

The Loan Agreement did not contain a statement of objectives. The Program Development Objective (PDO) as stated in the First Program Document (page 6) was:

"To support Himachal Pradesh (HP) in the improved management of its natural resources across growth engines of the economy and to promote inclusive green growth and sustainable development".

The Program Development Objective as stated in the PDO as stated in the Second Program Document was narrower in scope.

"To support a sub-set of the Government of HP's plan to improve the State's management of its natural resources across growth engines of the economy and to promote inclusive green growth and sustainable development".

Given that the statement of objective in the second program document was not materially different from the objective in the first program document, this assessment is based on the objective as stated in the second program document.

b. Pillars/Policy Areas

The DPLs covered six policy areas in support of the HP Government's management of its natural resources.

1. Promotion of Climate Change Adaptation and Mitigation. This area aimed at developing the legislative



and institutional frameworks for environmentally-sound resource management system by:

- (i). Strengthening the Departments of Environment and Energy institutional capacity for monitoring and evaluation:
- (ii) preparing the state's Action Plan on climate change integrating state climate change strategy in development plans. The plan was expected to identify the vulnerable sectors of the economy (with respect to water resources and agricultural yields) and adopt mitigation measures and identify the state's contribution to lowering greenhouse gas emissions intensity through its hydropower resources: and,
- (iii) preparing a statewide ecosystem evaluation analysis on payment for environmental services and implementing a pilot ecosystem for HP's forest assets.

2. Development of Environmentally and Socially Sustainable Hydropower. This area aimed at developing the framework for sustainable and equitable development of the state's hydropower by:

- (i) undertaking Cumulative Environmental Impact Assessment studies for the five key river basins in the State.
- (ii) implementing the Catchment Area Treatment (CAT) Plan and preparing basin-wide digital Geographical Information System (GIS) based hydropower potential maps:
- (c) Amendment of the benefit-sharing mechanism for hydropower projects to include a long-term benefit sharing policy to the affected villages through the operational life of hydropower projects in the state:
- (iv) implementing a web-based monitoring of project milestones to the State Directorate of Energy: and,
- (v) providing cash transfers for at least one hydropower project.

3. Environmentally Sustainable Industrial Development. This area aimed at providing the framework for environmentally sustainable industrial development by:

- (i) designing economic instruments for incentivizing the adoption of cleaner technologies, including disincentives to industries identified in the negative list (which largely consisted of polluting industries).
- (ii) piloting use of economic instruments for pollution control in selected priority industries.

4. Environmentally Sustainable Tourism. This policy area aimed at providing support for policies aimed at minimizing the adverse environmental impacts of tourism and promoting eco-tourism.

5. Empowering local communities participation in watershed management. This policy area aimed at empowering communities in Integrated Watershed Management by:

- (i) Strengthening the Integrated Watershed Management Program (IWMP) guidelines and specifying an integrated community-led watershed development approach to planning by Gram Panchayats (local self-government institutions at the village or small town level in India):
- (ii) Adopting the State Organic Farming Policy.
- (iii) implementing integrated micro-watershed development plans using IWMP guidelines:
- (iv) capacity building for stakeholder departments: and,
- (v) Amendment of State Water Policy of 2005 for sustainable management of state water resources.

6. Institutional Mechanism for Integration of Geographic Information System (GIS) in Informed Decision Making. This policy area aimed at supporting the establishment of an institutional mechanism for informed decision making through a Geographical Information System (GIS) by:

- (i) establishing the Aryabhatta Geo-Informatics and Space Application Centre (AGiSAC): and,
- (ii) operationalizing protocols for monitoring and evaluation by AGiSAC for the infrastructure and natural resource sectors.



c. Comments on Program Cost, Financing, and Dates

Project Financing. DPL1 was financed by an IBRD loan of US\$100.00 million and DPL 2 was financed by resources from the Clean Technology Fund (CTF) Trust Fund of US\$100.00 million. Both DPL1 and DPL 2 were disbursed in a single tranche of US\$100.00 million each. There was parallel financing for complementary technical assistance activities in five areas (Poverty and Social Impact Assessment, sustainable tourism, strategic environmental assessment for industrial development, natural capital accounting -forest accounting and sustainable hydropower development) from the United Kingdom's (UK's) Agency for International Development (DFID).

Borrower Contribution. As this was a development policy operation, no formal borrower contribution was expected.

Dates. DPL1 was approved on September 6, 2012 and closed as scheduled on September 30, 2013. The PDO and indicators were revised during the preparation of DPL II. Given that the operation specifically supported a sub-set of the government program's objectives, the revised PDO had a narrower scope. Among the 15 indicators for DPL 1, seven were chosen to evaluate the achievements of the program, while the rest were dropped. DPL 2 was approved on May 16, 2014 and closed as scheduled on November 30, 2014.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The mountain state of Himachal Pradesh (HP) is rich in natural resources. Dense forests cover over 27% of its land area and these act as a carbon sink for greenhouse gases. HP accounts for over 30% of India's hydropower potential. The state has a number of unique plants and animal species and parts of the state are declared as global biodiversity hotspots. The state is an upstream macro watershed for three major rivers originating from the state and the ecological importance of the watersheds formed by these rivers transcend the state's territorial limits. HP provides significant public goods (watersheds, conserved forests and ecological benefits) to the rest of the country. Since its establishment as a separate state in 1973, HP had the status of a special state due to its topography and this made it eligible for substantial central grants and incentives. In the years before appraisal, the financial transfers from the central government had started to dwindle and it was important for the government to address three challenges: First, move towards broad-based sources of growth: Second, create productive employment for its young and educated labor force: and third, move away from the hitherto manufacturing sector-led growth model towards a resource-sector led growth strategy, in which it had comparative advantage due to its natural endowments. However, cognizant of the fact that environmental degradation associated with the natural resource sector disproportionately impacts the vulnerable, it was important for the state address environmental challenges and take steps to ensure that natural resources were managed in an equitable and environmentally-sustainable manner.

The operations objectives were well-aligned with the government's priorities identified in India's 12th Five-Year Plan for the 2012-2017 period. The plan underscored the need for more effective management of natural resources (such as water, land and forests) and identified hydropower potential as one of the few immediate options for addressing the country's energy shortages and reducing the emissions intensity of the power sector. The plan highlighted the need for incorporating environmental issues in development plans and specified targets of adding 40 to 55 of additional renewable energy capacity by 2022. Given that HP served as



a watershed that was critical to the livelihoods of more than 200 million people in neighboring states, improving the management of its natural resource sector and promoting inclusive green growth was highly relevant both to the developmental priorities of the state and the national government.

The operations objectives were consistent with the Government's voluntary commitments to reduce its emission intensity by 20% by 2020 at the Copenhagen Climate Conference in 2009 and with the government's commitment made at the Paris Climate Change in 2015 to generate at least 40% of its electricity from renewables and other low- carbon sources. The operation's objectives were in line with the Investment Plan presented by the Government of India to the Trust Fund Committee of the Clean Technology Fund (CTF), which was endorsed by the Committee on November 4, 2011. (The CTF supported initiatives associated with deployment and transfer of low-carbon technologies with potential for long-term greenhouse gas emission reductions).

The operation's objectives were consistent with the Bank's Country Assistance Strategy (CAS) for the 2009-2012 period. The CAS included a pillar on sustainable development through better management of natural resources and highlighted the need for reducing the burden that environmental degradation imposes on the vulnerable groups. The CAS also highlighted the need of helping India to increase resilience of the economy to nature-related and man-made shocks, in line with the priorities identified in the National Action Plan on Climate Change. The operation's objectives were well-aligned with the objectives of the Bank's current Country Partnership Strategy (CPS) for the 2013-2017 period. The CPS outlined, as one of its objectives, the need for focusing on developing effective systems and institutions for efficient environmental and natural resource management.

The PDO in the second program document is a subset of the broader development program of the HP government and focused on the fewer policy actions that were supported by this operation. The high relevance of the PDO in the first program document, therefore, applies to the PDO in the second program document.

The wording of the PDO statements was somewhat vague, without clearly distinguishing between what was meant by inclusive green growth, sustainable development or natural resource management. However it could have been difficult to devise a more specific PDO statement, given the range of individual sub-objectives being supported.

Rating

High

Revised Rating

High

b. Relevance of Design

The choice of the DPL as the financing instrument was appropriate for the program which aimed at supporting the HP's Government's broader and more ambitious Inclusive Green Growth and Sustainable Development Program. Since it is not meaningful to draw a clear line between the objectives, this review treats the PDO objective as a single one. The activities of the program under its six policy areas were generally relevant to supporting the single policy objective of improving natural resource management, promoting green growth and promoting sustainable development.

The causal chain in the Results framework and the links between the policy areas and their intended outcomes was convincing. Strengthening the Department of Environment and Energy's institutional capacity to address climate change issues, integrating the state climate change strategy in development plans, identifying and adopting mitigation measures for the highly vulnerable sections of the society, implementing payment for



environmental services and establishing a mechanism for informed decision making for the infrastructure and natural resource sector would help in developing the legislative framework and improving the institutional mechanism for environmentally sustainable natural resource management system and thereby to the PDO of "promoting inclusive green growth and sustainable development". Undertaking Cumulative Environmental Assessments, implementing a Catchment Area Treatment Plan, adopting a benefit sharing mechanism for the highly vulnerable sections in the project affected villages of hydropower projects and providing cash transfers would help in developing the legislative and institutional framework for sustainable and equitable development of the state's hydropower potential. While designing economic instruments with incentives for adopting cleaner technologies would help in providing the framework of sustainable industrial development, activities aimed at minimizing the adverse environmental impact of tourism would help in promoting sustainable tourism. And strengthening the Integrated Watershed Management Program, implementing integrated micro-watershed program and capacity building for stakeholder departments would help in empowering communities in Integrated Watershed Management Practices. The combination of these policies will help in contributing to the PDO of "improving the State's management of its natural resources across growth engines of the economy." These activities could also be expected to contribute to the Government's broader program of promoting inclusive growth and sustainable development.

Notwithstanding the coherent results framework, some outcome indicators were clearly ambitious and unrealistic in terms of what could realistically be achieved within the timelines of the operation. For instance as the ICR (page 47) notes that the indicators associated with watershed activities were unrealistic, given that watershed activities take about four to five years to treat the micro-watershed fully. This necessitated modifying the indicators and focusing on fewer policy actions and indicators (discussed in section 9a).

Rating

Substantial

Revised Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To improve the State's management of its natural resources across growth engines of the economy, to promote green growth and to promote sustainable development..

Rationale

Policy Area 1: Promotion of climate change adaptation and mitigation.

Outputs.

- The institutional capacities of the Department of Environment and Energy for monitoring and evaluating activities associated with the inclusive green growth objectives was strengthened through adding 22 additional staffing positions through a cabinet level decision (Following the recommendations of



a prior Bank-financed fiscal DPL to contain expenditure, the state agencies could not add staff without cabinet approval).

- An Action Plan on Climate Change that identified co-benefits in mitigation and adaption, with regard to rural livelihood improvements, was approved by the cabinet and publicly disclosed.
- The government publicly disclosed the results of the second greenhouse gas (CHG) inventory conducted in 2013 (the first inventory in 2009). The results of the inventories suggested that the GHG emissions decreased between 2009 and 2013. The ICR notes that monitoring was not included in the inventory.
- The pilot associated with "Reducing Emissions from Deforestation and Forest Degradation (REDD+) commenced in HP.
- A statewide ecosystem evaluation analysis was conducted. The cabinet approved and issued notification of a state policy on Payment for Environmental Services (PES) to compensate people for maintaining natural resources such as forests, biodiversity, catchment areas of basins where land was mostly government owned.

Outcomes.

- 11 departments began integrating the State Climate Change Strategy and Action Plan in development plans and Payment for Ecological Services (PES) in their operational strategy. This exceeded the revised target of four.
- One department (the forest department) implemented the PES in their development plans as targeted.

The intended outcomes were realized and the targets were either met or exceeded. Given that there was no quantified measure pertaining to reductions in green house gas emissions, it is difficult to assess the extent to which the policy areas contributed to green house gas emissions. However, these changes may take some time and it would not have been reasonable to make an assessment at the time of evaluation.

Policy Area 2. Development of Environmentally and Socially Sustainable Hydropower.

Outputs.

- The cabinet approved and issued public notification regarding undertaking Cumulative Environmental Impact Assessment's (CEIA) for the Sutlej, Beas, Ravi, Yamuna and Chenaub river basins. CEIA was developed for the five river basins.
- Cabinet approved an Integrated Catchment Area Treatment (CAT) Plan for the Sutlej river basin and made such plans mandatory for all river basins in HP. The plan for the Sutlej river basin was in the process of being implemented at the end of this operation.
- Expert panel was convened for compliance with environmental and social policies for hydropower projects as targeted.
- Web-based e-flow monitoring was operationalized and disclosed through a public website. The ICR (page 43) notes penalties for pollution were regulated under the Environmental Protection Act of 1986. The HP government ensured that the equipment for the hydropower equipment were in compliance with the directives of the Pollution Control Board (PCB).
- A website, with a module for monitoring physical milestones of hydropower projects was operational by



the end of the operation. The list of families eligible for cash transfers under the Local Area Development Committee (LADC) was publicly disclosed through the Directorate of Energy website.

- Local area development works for 75% of the funds deposited to the LADC as of March 31, 2012 were approved by April 2015. 4.06 crore Indian Rupees (INR) were disbursed by the LADC by June 2015. This annuity as cash transfers was to continue for the entire life of the hydropower projects.

Outcomes.

- 64 (or 84%) of the 76 hydropower projects in operation adopted real time on line monitoring and the State Pollution Control Board was receiving this information online on every fifteen minutes interval in time. This exceeded the target of nine projects.
- 5482 eligible families received benefits by way of direct cash transfer under the Local Area Development Fund (LADP) policy. This exceeded the target of 5000.

Policy area 3. Environmentally sustainable industrial development.

Outputs.

- The government issued guidelines for providing economic incentives for cleaner (grant of Indian Rupees 500,000 or 20% to install pollution control devices).
- The PCB established a website to disclose the pollution status of industries.

Outcomes.

- 26.5% of industries adopted sustainable environmental management systems in the state. This exceeded both the original and the revised targets of 10% and 20% respectively.

Policy area 4. Environmentally sustainable tourism.

Outputs.

- The Dharamshala Sustainable Action Tourism Action Plan was approved by the government on November 18, 2013. On January 13, 2014, the government amended the tax on luxuries (hotel and lodging) to promote tourism in tribal/hard areas and exempted hotels in such areas from luxury taxes for ten years.

Outcomes.

- Three temple towns (Chintpurni, Naina Devi and Kangra) adopted environmentally sustainable tourism development plans as targeted.

Policy area 5. Empowering local communities participation in watershed management,

Outputs.



- The government issued guidelines for integrated micro watershed plans by a multi-disciplinary team under the Rural Development Department.

Outcomes.

- 77 micro-watersheds plans were developed and implemented with the involvement of communities in micro planning as targeted. The performance indicators relating to integrated watershed management policy was unrealistic in terms of the timelines of the operation. The ICR (page 37-38) notes that it usually takes four to five years to treat the micro watersheds fully and hence impact indicators (such as improvement in water pondage, increase in crop diversification, increase in crop productivity, water efficiency improvements and establishment of agribusiness by 2014) were ambitious as they could only be achieved over a longer time frame.

Policy area 6. Institutional mechanism for integration of GIS in informed decision making.

Outputs.

- The Government established the Aryabhata Geo-Informatics and Space Application Center (AGiSAC) to develop web-based/desktop applications for informed decision making. The AGiSAC website was integrated with the individual departments and links were established for using information directly from the web-site through department nodal offices who were given administrative rights for access and usage. The government followed this up through issuing an order operationalizing AGiSAC's protocol for monitoring and evaluation of activities in the infrastructure and natural resource sectors.

Outcomes.

- Nine departments used AGiSAC for their strategy and planning purposes. This was as per the revised target, although short as compared to the original target of 18.

Rating

Substantial

5. Outcome

Relevance of the PDO to both the government and Bank strategy for India was rated as High. Relevance of design was rated as Substantial, given the logical links between the policy areas and their intended outcomes. Efficacy of the single objective - to support HP in improving the management of its natural resources



across growth engines, to promote green growth and to promote sustainable development - was rated as Substantial. The outcome targets for policy areas associated with climate change mitigation and adaptation, sustainable development of hydropower development, industrial development, sustainable tourism and institutional mechanism for informed decision making were either realized or exceeded. The extent to which the policy areas contributed to greenhouse gas emissions and empowering local communities participation in watershed management were ambitious as they could be achieved over a longer time frame. Given this, the overall outcome is rated as Satisfactory.

a. Outcome Rating
Satisfactory

6. Rationale for Risk to Development Outcome Rating

The Government demonstrated strong ownership of the project during implementation and monitored the results framework beyond the closing date of this operations and is expected to submit quarterly reports until June 2017. The Task Team Leader clarified that government commitment remained unchanged despite the change in leadership during this operation. The financial benefit to the state as a result of changes in the allocation of central grants further reduces the risk associated with deviating from the inclusive green growth reform path (The 14th Finance Commission of India recommended a new formula for devolving resources based on state's area, population, demography, income, distance and forest cover. This ensures increase of central grants to states with higher intact forest cover, such as HP). The government's follow up action in all policy areas provides further evidence of the momentum towards inclusive green growth and sustainable development. Given that institutional capacity within the government has further been strengthened to implement innovative new policies, the risk to development outcome is rated as Low/negligible.

a. Risk to Development Outcome Rating
Negligible

7. Assessment of Bank Performance

a. Quality-at-Entry

The actions supported by this DPL build upon the recommendations of the Bank report, "*Accelerating Development and Sustaining Success in a Hill State*". This report provided a comprehensive environmental diagnostic and recommended specific actions aimed at making the state's hydropower plans environmentally and socially beneficial. This operation was prepared based on lessons learned from prior Bank-financed operations in HP (The first HP Development Policy Loan and Credit) which recognized and addressed environmental issues and among other things, created the Department of Environment, Science and Technology (DEST) in HP and identified the importance of hydropower as an engine of growth. The decision to focus on policy areas aimed at ensuring that hydropower development happened in an environmentally sustainable and socially responsible manner was appropriate, given that development of hydropower resources was a priority for both for the HP and central government. The preparation of this



project also benefited from the experience of prior Bank funded investment projects (Rampur Hydropower Project and the Mid-Himalayan Watershed Project). While the experience of the former project, helped in identifying what was required at the policy and institutional level for Local Area Development Committee policy reforms, the experience of the latter project helped in suggesting changes to watershed level planning. Given that the operation involved multiple sectors like energy, environment, rural development, industry, tourism and agriculture, the preparation underestimated the challenges associated with inter-sectoral coordination between the relevant stage agencies.

There were shortcomings in M&E design (discussed in section 9a).

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Supervision missions were conducted periodically by the Bank team during implementation. The missions included consultants and specialists. The supervision team was proactive and this helped in modifying and improving the outcome indicators during preparation of DPL 2. The supervision team also invited the state officials to seminars/workshops in Delhi and such interactions aided in monitoring progress.

The Technical assistance activities that was concurrently being implemented by other agencies provided further support to the Bank Team and this contributed to innovative initiatives such as forest accounting and tourism accounting, which was implemented for the first time in India. Technical support to help the overall M&E mechanism was provided by the team.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The Department of Environment, Science and Technology (DEST) of the HP Government was in charge of implementing the project. The government was proactive and focused on harnessing hydropower as it was deemed necessary to meet the growing needs of power for industry, agriculture and rural electrification both in HP and in the neighboring states. The government showed strong and sustained ownership of the inclusive green growth agenda as demonstrated by the adoption and implementation of agreed actions in the two DPL operations. The government commitment to the PDO remained unchanged, despite the change in political leadership in the state during the period of this operation. Most indicators reached the target value. The government piloted cash transfers and many of the activities such as real time monitoring of environmental flows, annual cash transfer and state level Green House Gas inventories were the first of its kind in India. The government also committed to submit quarterly reports according to the Bank/ Clean Technology Fund (CTF) requirements until June, 2017.



Government Performance Rating

Satisfactory

b. Implementing Agency Performance

Implementing Agency Performance Rating

Overall Borrower Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

A set of indicators for measuring progress in each policy area was established during the preparation of the DPL1. Some original indicators (such as pertaining to Integrated Watershed management) were unrealistic in terms of the operation's timelines. Many of the original indicators either lacked baseline figures.

The Department of Environment, Science and Technology (DEST) was responsible for M&E and the Aryabhata Geo-Informatics and Space Application Center (AGISAC) was responsible for collecting and compiling the data and information from different government departments.

b. M&E Implementation

The indicators that were revised during the second DPL were more realistic in terms of what could be achieved within the operation's timelines. As per the Clean Technology Fund (CTF) requirements, the government's Directorate of Energy designed and implemented a more detailed web-based real time Monitoring Information System (MIS) monitoring system with support from the National Informatics Centre. This MIS system provided real time information, including environmental and social aspects, pertaining to each of the hydropower projects, both in the construction and operational stages. The system included not only compiling raw data from the hydropower project developers, but also web linkages to the data/information residing with other departments, such as the Forest department, the Pollution Control Board (PCB) and AGISAC).

c. M&E Utilization

The monitoring indicators were used for monitoring progress towards the PDOs.



M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

No safeguard policies were triggered by the operation. The Program Document notes that this operation did not support an expansion of HP's hydropower potential but sought to make it environmentally benign and socially beneficial by assuring scientific monitoring of environmental flows and improving basin management through the use Catchment Area Treatment Plans. The First Program Document, page 24) notes that resettlement policies usually associated with hydropower projects were expected to be minimal since most of the developments were run-of-the river projects requiring minimal or no land acquisition. Moreover, the state allowed for more flexible arrangements for land acquisition as demonstrated in a prior Bank-financed operation and had adopted in July 2011 a policy for "compensation for damage during construction of power projects" to recompense for loss of production or income. The ICR does not indicate any environmental impacts or resettlement issues during implementation.

b. Fiduciary Compliance

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Negligible	Negligible	---
Bank Performance	Satisfactory	Moderately Satisfactory	There were moderate shortcomings at Quality-at-Entry.



Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR draws the following five lessons from the experience of implementing this project, with some modification of language.

(1) Experience from implementing sector investment projects can be useful in designing policy reforms targeted under Development Policy Funding (DPF). In this operations, lessons from prior externally funded investment projects helped identify policy or institutional gaps. This sector experience helped the Bank in working collaboratively with the Government of HP in designing the combination of policy and institutional reforms that was required to carry the agenda forward. For instance, the experience gained from implementing the Bank funded Rampur Hydropower power helped in identifying what was required at the policy and institutional level for Local Area Development Committee (LADF) policy reforms and the Mid-Himalayan Watershed Development Project's lessons were helpful in suggesting changes to watershed level planning.

(2) Programmatic Development Policy Financing (DPF) can at times be more effective than standalone operations for supporting sustained policy reform. This operation through a series of two DPL operations helped in collaboration between the HP government and the Bank and this helped in effective delivery of development outcomes.

(3) A relationship of trust and communication between the Bank team and the client was key to the success of this innovative DPF initiative. In this case communication between the Bank and the client through a combination of factors including supervision by a locally based task team leader and skilled and senior staff from Washington, DC. and frequent visits and close interaction with government officers, aided in responding to critical needs of the state. This ensured appropriate support in a timely fashion.

(4) Advisory Services and Analytics (ASA) can provide vital technical support to the borrower's policy actions. A number of ASA's were conducted to support the DPL under the auspices of this operation. The findings and results of these provided technical support for policy reform formulation and subsequently implementation.

(5) Delivering climate finance through budget support operations can be beneficial to both the development and global environmental objectives. In this project, financing through the Clean Technology Fund (CTF) supported a reform program for Green House Gas (GHG) emission reductions and other environment and social improvements. However, given that the experience with this operation showed that the process of reconciling and coordinating processing requirements for the CTF and IBRD DPF was not easy, greater harmonization of processes and procedures might be needed for using either CTF or other climate finance instruments.



13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a detailed overview of the project and is for the most part, well-written. The narrative supports the ratings and available evidence. It is candid particularly in discussing the issues that arose (such as the number of indicators which had to be reduced) during DPL2. The quality of evidence and analysis is aligned to the messages and lessons offered. The description of the M&E is rather sparse.

a. Quality of ICR Rating

Substantial