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The focus is on climate smart development across key engines of economic growth - energy, industry, tourism and watershed management. The Government of India, the Government of Himachal Pradesh (GoHP), and the World Bank today signed a \$100 million development policy loan (DPL) agreement to help Himachal Pradesh (HP), a mountain state richly endowed with natural resources, move towards a more environmentally sustainable model of economic growth. The project was approved by the World Bank's Board of Executive Directors on May 16, 2014. This operation is the second DPL aimed at helping the state manage its natural resources across its key engines of growth - energy, industry and tourism - in a manner that ensures that growth is inclusive and sustainable in Himachal Pradesh. It will help HP bring in better policies and practices to guide the development of sustainable hydropower; adapt and mitigate the effects of climate change; empower local communities to conserve their watersheds better; promote cleaner methods of industrial production; promote environmentally sustainable tourism; and integrate GIS in decision making. Efforts to achieve these goals were initiated under DPL I. DPL II will help the government ensure its effective implementation and completion. The first DPL of \$100 million was approved in September 2012 and funded out of World Bank's International Bank for Reconstruction and Development (IBRD) resources. The second operation, signed today will be financed by the Clean Technology Fund (CTF), which provides developing countries with positive incentives to scale up the demonstration, deployment, and transfer of technologies with a high potential for long-term reduction in greenhouse gas (GHG) emissions. The CTF financing followed the endorsement in November 2011 of India's Investment Plan by the CTF Trust Fund Committee. Both IBRD and CTF offer concessional terms of financing. The loan agreement for the CTF funded Second Inclusive Green Growth and Sustainable Development DPL in Himachal Pradesh was signed by Usha Titus, Joint Secretary (Multilateral Institutions), Department of Economic Affairs, Ministry of Finance, on behalf of the Government of India; Shrikant Baldi, Principal Secretary (Finance), on behalf of the Government of Himachal Pradesh; and Onno Ruhl, World Bank Country Director in India, on behalf of the World Bank. Under DPL I, Himachal Pradesh has already introduced a range of initiatives designed to make its growth path environmentally sustainable. DPL II will ensure that the initiatives undertaken in the first operation is further strengthened and sustained, said Usha Titus, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India. Today Himachal Pradesh (HP) provides economically valuable environmental services for much of the country. The state is home to three major river basins, and it serves as a watershed that is critical to the livelihoods of more than 200 million people in Haryana, Punjab, Uttar Pradesh and Rajasthan. It is also one of the country's main sources of clean energy, generating hydropower that can help alleviate electricity shortages in much of North India. The forests of HP also act as an important carbon sink and are known to be global biodiversity hotspots. Himachal is keen to ensure that its four key sectors of energy, watershed management, industry and tourism adopt more environmentally sustainable and socially inclusive practices. We hope that the DPL II, which builds on our decade-long multi-sector engagement in the state will help Himachal Pradesh demonstrate a more sustainable path to economic development for hill states, said Onno Ruhl, World Bank Country Director in India. Environmentally and socially sustainable hydropower The state of Himachal Pradesh has identified hydropower as one of the key drivers of economic growth. The state has ambitious plans for hydropower development of 10 GW over the next ten years. The DPL will help the GoHP make sure that the states hydropower program incorporates policies and practices that are environmentally and socially sustainable. The first DPL had helped the state identify key policy actions in this regard and the second DPL is focused on setting up the systems and structures needed to ensure continued implementation and monitoring of these. Policy action has included the adoption of a river-basin approach in the assessment and management of the environmental risks associated with large-scale hydropower development. This included initiating cumulative impact assessments for all key river basins; reviewing and monitoring the release of environmental flows from hydropower projects; and drawing up Basin-Level Catchment Area Treatment Plans. Local communities living in the vicinity of hydropower projects often have to bear some negative impacts. In order to ensure that these villagers also get a share in the benefits from these development projects, GoHP launched an innovative revenue-sharing scheme supported by the first DPL to make sure that one percent of power sales from each project is distributed as cash annuity to households in project-affected areas. Under DPL II, this cash transfer program is to be piloted with households receiving direct payments. In addition, the government is also putting in place a grievance redressal mechanism to handle any grievances related to beneficiary selection under direct cash transfer program. Helping communities protect their watersheds The second DPL will now adopt and implement the Integrated Watershed Management guidelines prepared under the first DPL in 77 blocks. It will be monitored and disclosed through the Arya Bhatta Geo Information Centre (AgiSAC). Other components The state has amended the Tourism Policy of 2005 and is moving towards adopting sustainable tourism practices through this operation. It has amended the 2004 Industrial Policy and included disincentives for industries identified in the negative list (which largely consists of polluting industries). A public disclosure of environmental performance of major polluting industries was also completed. Together these represent a far reaching policy transformation in the way in which development takes place in Himachal Pradesh. Success by HP can set examples not only for other Himalayan states in India, but for other countries in the South Asia region, said Pyush Dogra, Senior Environmental Specialist and World Bank's Task Team Leader for this Program. The Clean Technology Fund is a soft-term loan that has a 40-year maturity, including a 10-year grace period. Development Policy Loan or DPL is one of the investment instruments of the World Bank which supports policy and institutional actions that are part of a broader government program. The World Bank 1818 H Street, NW DC 20433 Washington USA
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