

**PRESS INFORMATION BUREAU**

**GOVERNMENT OF INDIA**

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**GOVERNMENT OF INDIA, WORLD BANK AND GOVERNMENT OF HIMACHAL PRADESH SIGN \$100 MILLION LOAN AGREEMENT TO SUPPORT HIMACHAL PRADESH IN MAKING ITS GREEN GROWTH AGENDA INCLUSIVE AND SUSTAINABLE**

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The World Bank signed a \$100 million loan agreement with the Government of India and the Government of Himachal Pradesh (GoHP) to support the mountain State in its move towards an environmentally sustainable model of economic growth. The focus of this operation in Himachal Pradesh (HP) will be towards climate-smart development across the key engines of economic growth in the state – energy, watershed management, industry and tourism.

This DPL to Promote Inclusive Green Growth and Sustainable Development will support GoHP as it launches transformative actions across its key engines of economic growth -- energy, watershed management, industry and tourism. With this Program, HP will make a tangible contribution to the Government of India's objective of reducing the intensity of greenhouse gas emissions. The DPL loan approved September 6 by the World Bank Board of Executive Directors is a culmination of the Bank's multi-sectoral engagement with Himachal Pradesh over the last decade.

Richly endowed with natural resources, 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 livelihood 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.

Shri Prabodh Saxena, Joint Secretary, Department of Economic Affairs, Ministry of Finance said that striving for environmental sustainability across these major sectors of its economy will help Himachal Pradesh embark on a path of inclusive green growth and sustainable development that can carry lessons for the other hill states.

The agreements were signed by Shri Saxena on behalf of the Government of India; Chief Secretary Shri Sudripta Roy on behalf of the Government of Himachal Pradesh; and Mr Roland Lomme, Governance Adviser, World Bank India on behalf of the World Bank.

The Bank's Program is directed at helping HP adapt and mitigate the effects of climate change; bringing in better policies and practices to guide the development of sustainable hydropower; empowering local communities to conserve their watersheds better; promote cleaner methods of industrial production; and promote environmentally sustainable tourism.

Mr Roland Lomme, World Bank's Governance Adviser in India said that sustaining HP's natural resource base is important for both the state as well as for India. The Government of Himachal Pradesh recognizes the need for making sure that fuelling growth does not harm its natural assets and has introduced a range of initiatives across energy, rural and industrial sectors designed to make its future development environmentally sustainable.

## **Helping communities protect their watersheds**

The State Government has initiated a program of community-led conservation of local watersheds across the state. Under this Program, villagers will draw up local-level plans and implement them. This is expected to improve the availability of water in the hills, help farmers move to higher-income yielding crops, promote the efficient use of scarce water resources, and help communities set up agri-businesses. The Bank-financed DPL will help the state government pilot this approach in at least one Gram Panchayat in each of the state's 77 blocks. It is expected that these watershed management practices will result in higher soil conservation, improved habitats for biodiversity, improved forest cover and reduced sedimentation.

## **Socially and Environmentally Sustainable Hydropower**

Hydropower has been identified as one of the key drivers of economic growth in the state. Harnessing the state's large hydropower potential is a critical low-carbon way to contribute to India's growing energy demand. 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 state's hydropower program incorporates policies and practices that are environmentally and socially sustainable.

Mr Charles Cormier, Lead Environmental Specialist and Task Team Leader for the Program said that the aim of this operation is not to support an expansion of hydropower, but to support the adoption of better policies and processes that will make sure that HP's hydropower projects are developed in a manner that is environmentally sustainable and also brings benefits to local communities. He further said that success by HP can set examples not only for other Himalayan states in India, but for other countries in the South Asia region."

The Program will help HP adopt a river-basin approach in the assessment and management of the environmental risks associated with large-scale hydropower development. This will include conducting cumulative impact assessment 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 has launched an innovative revenue-sharing scheme supported by this operation. Under this new policy, 1 percent of power sales from each project will be distributed as annuity payment to households in project-affected areas. "Below Poverty Line" (BPL) families will get additional transfers.

## **Other components**

The GoHP recognizes that tax breaks and fiscal incentives have led to the creation of uncompetitive industries. The Program will focus on seeking incentive-based economic policies to reduce industrial emissions and will promote sustainable tourism practices.

Finally, the second DPL in the series of two is expected to be financed by the Clean Technology Fund (CTF), following 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, from the International Bank for Reconstruction and Development (IBRD), has a maturity of 18 years including a grace period of 5 years.