

FRAMEWORK FINANCING AGREEMENT
(Assam Power Sector Enhancement Investment Program)

Parties This Framework Financing Agreement (“**FFA**”) dated 15 September 2009 is between India acting by its President, and Asian Development Bank (“**ADB**”).

Investment Program India is committed to the State of Assam (“**the State**”) and through the State, the Assam State Electricity Board (“**ASEB**”) is committed to implementation of the Multi-tranche Financing Facility (“**the Facility**”) as part of Transmission and Distribution Sector Investment Program (“**the Investment Program**”). The Facility and the Investment Program are described in Schedule 1 hereto.

The total cost of the Facility related projects over the period 2009 to 2014 is expected to be US\$ 314.6 million equivalent. The total cost of the Investment Program over the period 2009 to 2014 is expected to be US\$ 764 million equivalent.

Multi-Tranche Financing Facility The Facility is intended to finance (i) projects under the Investment Program and (ii) capacity development in transmission and distribution utilities, provided that these comply with the criteria set out in Schedule 4 hereto and that the understandings set out in this FFA are complied with.

The projects under the Facility may include:

1. Access to Power (Transmission), Energy Efficiency Enhancement (Loss Reduction) ;
2. Access to Power (Distribution), Energy Efficiency Enhancement (Loss Reduction); and
3. Capacity Development

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. ADB has the right to deny any financing request made by India on behalf of the State and ASEB, cancel the uncommitted portion of the Facility, and withdraw the right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of India to request any financing. India has the right not to request any financing under the Facility. India also has the right at any time to cancel any uncommitted portion of the Facility.

India and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may

exercise its right to refuse a financing request, by giving written notice to such effect to the other parties. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

Financing Plan

The financing plan for the Investment Program, Facility and Tranche-1 is summarized below.

Financing Plan (US\$ million)¹			
Source	Investment Program	Facility Related Projects	Tranche 1
ADB	200.0	200.0	60.3
World Bank	360.0		
GOA	154.0	114.6	34.7
Private Sector	50.0		
Total	764.0	314.6	95.0

ADB = Asian Development Bank, GOA = Government of Assam

Sources: ADB estimates.

ADB's financing US\$ 200 million will be allocated as follows as an indicative plan.

1. US\$ 148 million for Access to Power (Transmission), Energy Efficiency Enhancement (Loss Reduction) ;
2. US\$ 50 million for Access to Power (Distribution), Energy Efficiency Enhancement (Loss Reduction); and
3. US\$ 2 million for Capacity Development.

Financing Terms

ADB will provide loans for (i) physical investments and (ii) non-physical investments for capacity development in transmission and distribution utilities under the Facility as and when the latter are ready for financing, provided India is in compliance with the understandings hereunder, and the projects are in line with those same understandings. Each loan will constitute a tranche.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the projects, and ADB's financing policies prevailing on the date of signing the legal agreement for the tranche.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

Commitment charges are not payable on the Facility. They are

¹ US\$764.0 million includes the investment for the Assam portion under the "Composite Scheme of development of transmission and distribution network in NER" Part of this has been proposed for World Bank funding amounting to US\$360 million for Assam.

payable only on financing actually committed by ADB as a loan. ADB rules on commitment charges, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

Amount

The maximum financing amount available under the Facility is two hundred million dollars (US \$200,000,000). It will be provided in individual tranches from ADB's Ordinary Capital Resources.²

Availability Period

The last date on which any disbursement under any tranche may be made will be June 2015.

Terms and Conditions

India will provide the proceeds of each tranche to the State which in turn will make the funds available to ASEB for purposes of carrying out the projects under the Facility, in accordance with conditions set forth in this FFA and the legal agreements for each tranche.

Execution

The Executing Agencies for the Facility will be the State and ASEB.

Periodic Financing Request

India may request and ADB may agree to provide loans under the Facility to finance the projects upon submission of a PFR. Each PFR should be submitted by India. India will make available to the State the proceeds of the tranche in accordance with the related PFR and the legal agreements for the tranche. The State will make available the proceeds to ASEB that shall make the funds available to AEGCL and LAEDCL in accordance with the PFR and the legal agreements negotiated for that tranche.

Each individual tranche will be for an amount of no less than US\$ 50 million, or its equivalent. ADB will review each PFR and, if found satisfactory, prepare the related legal agreements.

The projects for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguard, fiduciary and other required documents. ADB and India will agree on a Facility Administration Manual and a schedule to initiate these activities, as soon as possible after the date of this Agreement, but prior to the effective date of the legal agreements for the first tranche.

Until notice is otherwise given by India, the Secretary, Additional

² Provisions of the Ordinary Operations Loan Regulations applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, would apply to each Loan, subject to modifications, if any, that may be included under any Loan Agreement (said Ordinary Operations Loan Regulations, as so modified, if any, being hereinafter called the Loan Regulations).

Secretary, Joint Secretary, Director, or Deputy Secretary in the Department of Economic Affairs Ministry of Finance, will be India's authorized representative for purposes of executing PFRs.

General Implementation Framework

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

Procedures

Tranches to be provided under the Facility will be subject to the following procedures and undertakings:

India will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.

- (i) India will have submitted a PFR to ADB in a format agreed with ADB;
- (ii) ADB may, in its sole discretion, with reasons provided decline to authorize the negotiation and execution of any legal agreement for a tranche;
- (iii) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

PFR information

The PFR will substantially be in the form attached hereto, and will contain the following details:

- (i) Loan amount;
- (ii) Description of the projects and capacity development activities to be financed;
- (iii) Cost estimates and financing plan;
- (iv) Implementation arrangements;
- (v) Confirmation of the continuing validity of, and adherence to, the understandings in this FFA;
- (vi) Confirmation of compliance with the provisions under previous loan and project agreements under the Facility as appropriate; and
- (vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.

Safeguards Requirements

Attached as Schedule 5 are references to the Safeguard Frameworks that will be complied with during the implementation of the Facility

ADB's Safeguards Policies in effect as of the signing of legal agreements for a tranche will be applied with respect to the projects financed under such financing tranche.

Procurement

All goods and services to be financed under the Facility will be procured in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time).

Consulting Services

All consulting services to be financed under the Facility shall be procured in accordance with ADB's *Guidelines on the Use of*

Consultants (2007, as amended from time to time).

Advance contracting and retro-active financing

Under each tranche, ADB may subject to its policies and procedures, allow on request (i) advance contracting of civil works, equipment and consulting services and (ii) retroactive financing of eligible expenditures for civil works, equipment and consulting services up to 20% of the proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before signing of the related legal agreements.

India acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.

Disbursements

Disbursements of loan proceeds under the Facility will be made in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). Each PFR will result in a separate loan agreement, which will describe the detailed disbursement arrangements agreed on by the Government, the State, ASEB, and ADB. As may be required under the Facility for any loan the Government may create an imprest account in the Reserve Bank of India, as also may allow the State and/ASEB to create a second generation imprest account (SGIA), to ensure the timely release of loan proceeds and implementation. In such cases the amount in the imprest account or the SGIA at any given time should not exceed the amount equivalent to 6 months of estimated expenditures or 10% of the related loan amount, whichever is less. The imprest account and SGIA will be established, managed, and liquidated according to ADB's *Loan Disbursement Handbook*. Individual payments under the statement of expenditures procedure, if any, for the loan will not exceed the equivalent of US\$ 100,000.

Monitoring, Evaluation, and Reporting Arrangements

Schedule 2 hereto sets out the Design and Monitoring Framework for the Facility, against which the implementation effectiveness will be evaluated.

Further details regarding the monitoring, evaluation and reporting arrangements are provided in the Implementation Framework attached as Schedule 3 hereto that will be complied.

Undertakings

India will cause the State to ensure that each of the following undertakings is accurate and continuing at the time a PFR is submitted:

AEGCL and LAEDCL are companies, duly established and validly existing under the laws of India.

AEGCL and LAEDCL have obtained or will have obtained, all

approvals, licenses, consents and exemptions required to conduct its business and to construct and operate the projects, to the extent they are required at the relevant time.

Corporate Governance Measures

To enhance the corporate governance of the utilities, ADB's intervention will support the full corporatization of the utilities ASEB into efficient, commercially oriented companies. ADB's capacity development component will support organizational and governance efforts; and will enhance capacity of ASEB and the utilities to manage both the physical and financial construction activities, and provide management and financial reporting to meet both the State and ADB accounting, asset management, and reporting requirements. On managing physical construction activities, use of ADB guidelines on procurement and consulting services and standard bidding documents will provide an opportunity for better monitoring. Bid specifications and packaging will ensure maximum competition. On managing financial activities, recruitment of additional financial management experts and the enhancement of internal control systems, supported with advanced information and communication technology-based financial management systems, will ensure efficiency and accountability. Independent auditors will audit the financial statements. Measurable financial performance indicators are being set and will be evaluated by of the Assam Electricity Regulatory Commission. ADB review missions will review accounting and control systems to monitor expenditures and other financial transactions of EA and IAs, and ensure safe custody of project-financed assets.

SCHEDULE 1 FACILITY CONSTITUENTS

A. Performance Indicators, and Analysis

1. India's economy has grown by 8% per annum in recent years, and faces rapidly growing energy needs. Addressing the energy challenge is essential for fostering sustainable economic growth and reducing poverty. Taking into account India's energy security concerns, in 2006 the Government of India (the Government) developed the Integrated Energy Policy³ to ensure adequate and reliable energy supplies in a technically efficient, economically viable, and environmentally sustainable manner. Specific measures include continuing related power sector reforms, e.g., reducing technical and commercial losses of the state transmission and distribution (T&D) utilities and other restructuring efforts.

2. Given the sub-optimal performance of state electricity boards and their negative impact on efficient, effective delivery of power services to consumers, the Government adopted a program of unbundling and financial restructuring of the boards in the late 1990s. An independent central regulatory body was established, and the formation of state regulatory bodies was made mandatory. The Electricity Act (2003) was intended to improve sector through continued institutional restructuring and improved management of sector entities to ensure long-term sustainability. Compulsory metering, open access to transmission systems, facilitation of power trading, and tariff rationalization were initiated. Separation of transmission from the trading function was made obligatory. Most states have now segregated generation, transmission, and distribution functions. The Central Electricity Regulatory Commission and state electricity regulatory commissions have prescribed detailed tariff methodologies.

3. At the state level, the Government of Assam (GOA) introduced the power sector reform policy, Power Policy Statement 2003, aiming to (i) achieve commercial efficiency and financial viability of the power sector so that it does not require Assam's financial resources, which are needed for socioeconomic development; (ii) improve delivery of services and cost-effectiveness through technical, managerial, and administrative restructuring of power utilities; (iii) increase the operating efficiency of all the power utilities through competition, managerial autonomy, and higher accountability; and (iv) create an environment that attracts private capital, both domestic and foreign, to supplement public sector investment. Appendix 2 provides an assessment of the Assam power sector.

4. The Asian Development Bank (ADB)-supported Assam Power Sector Development Program (APSDP) provided assistance for sector reform in the state.⁴ The APSDP program loan (2036-IND) contributed to initiating structural reforms to improve operating and financial performance of the Assam State Electricity Board (ASEB). Unbundling of ASEB resulted in formation of Assam Power Generation Corporation Limited (APGCL); Assam Electricity Grid Corporation Limited (AEGCL); and three distribution companies: Central Assam Electricity Distribution Company Limited (CAEDCL), Lower Assam Electricity Distribution Company

³ Government of India Planning Commission. 2006. *Integrated Energy Policy: Report of the Expert Committee*. New Delhi.

⁴ ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to India for the Assam Power Sector Development Program*. Manila (Loan 2036-IND); and ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to India for the Assam Power Sector Project*. Manila. (Loan 2037).

Limited (LAEDCL), and Upper Assam Electricity Distribution Company Limited (UAEDCL).⁵ ASEB remains active as a coordinating agency. GOA also implemented a financial restructuring plan (FRP) for debt restructuring. The APSDP provided transitional support to enable the newly formed utilities to commence operations with a clean balance sheet, and contributed to capacity development of the Assam Electricity Regulatory Commission (AERC) to enhance sector governance. Through physical capacity expansion, the APSDP project loan contributed to the significant reduction of T&D losses from 42.5% in 2003 to 35.0% in 2008; the installation of 370,000 units of intelligent and downloadable meters with tamper-proof boxes, and improvement of village electrification.

B. Analysis of Key Problems and Opportunities

1. Power Transmission

5. Over the last decade, peak unrestricted electricity demand in Assam increased by 44% from 587 megawatts (MW) in 1999 to 848 MW in 2008. The APSDP contributed to reducing serious peak power shortages from 18% to 10% during this period (Table 1).

Table 1: Demand Growth and Shortfall, 1999–2014

Item	1999	2000	2004	2008	2009	2011	2013	2014
Unrestricted demand (MW)	587	636	738	848	969	1,264	1,649	1,883
Restricted demand (MW)	482	505	635	766	912	1,213	1,616	1,883
% Shortfall	18	30	14	10	6	4	2	0

MW = megawatt.

Sources: Data from 2001–2008: Central Electricity Authority (CEA) Assam power sector reports and Electric Power Survey (EPS) projections from 2009 are Asian Development Bank estimates.

6. Assam's peak power demand is forecasted to grow to 1,883 MW by 2014 with an annual increase of 14.2%. To meet the rapid growth, new power plants will be constructed and commissioned by 2014 with sufficient additional capacity.

7. While generation capacity is expected to soon catch up with expected demand, limited capacity of the Assam state T&D system can continue to constrain delivery of power to consumers. For example, a serious bottleneck of 38 MW from Lakwa natural gas and heat recovery power plant to Guwahati (capital of Assam) prevents full operation of the clean power plant at peak hours. The current physical constraints in the transmission system mean that Assam residents are unable to fully access clean power, missing the opportunity to reduce greenhouse gas emissions. The system master-plan study indicates an imminent need for significant investment in transmission to ensure that capacity addition in generation results in power that is available for input into the distribution system.

2. Access to Power and Poverty Reduction

8. Inaccessibility to power due to distribution network constraints is a major impediment to Assam's economic growth. The lack of sufficient and reliable power is eroding the competitiveness of the state's manufacturing and agriculture industries, impacting food security, and preventing the state from accessing industrial and commercial investments. Improved power supply at a reasonable cost is, therefore, essential to boost the state economy and lead to overall poverty reduction. More importantly, access to power directly addresses poverty

⁵ The UAEDCL and LAEDCL were merged into LAEDCL as of 1 April 2009 to enhance operating efficiency.

reduction for households. Per capita annual electricity consumption for Assam is 170 kilowatt-hours, only 27% of the national average. Per capita income in the state is \$355, less than two thirds of the national average. A very high proportion of the population is in rural (89%) and approximately 30% of households are living below the poverty line, compared to the national average of 26%. Access to electricity in rural areas is crucial for human development. GOA, therefore, is highly committed to promoting rural electrification.

9. GOA has a target of 100% village electrification by 2010, and access to 100% households by 2012. Under the APSDP, village electrification improved from 58% in 2003 to 77% in 2008, and household electrification from 17% in 2003 to 22% in 2008. Therefore, new investments in distribution must be targeted to expand the rural distribution system. In addition, 2,145 remote villages in Assam cannot be electrified through the grid. GOA has a strategy to electrify these villages by installing off-grid generation including renewable and conventional energy.

3. Transmission and Distribution Loss Reduction

10. One of the major outcomes of the APSDP was significant aggregate technical and commercial (ATC) loss reduction from 42.5% in 2003 to 35.0% in 2008. Transmission loss was reduced from 9.0% to 6.0%, and distribution technical loss from 18.0% to 12.5%; both contributed to reducing annual greenhouse gas emissions by 0.48 million tons carbon dioxide (t-CO₂) equivalent. However, current ATC loss is still higher than the national average of 28%. Energy efficiency must be enhanced if the Government's target of 15% ATC loss is to be met.

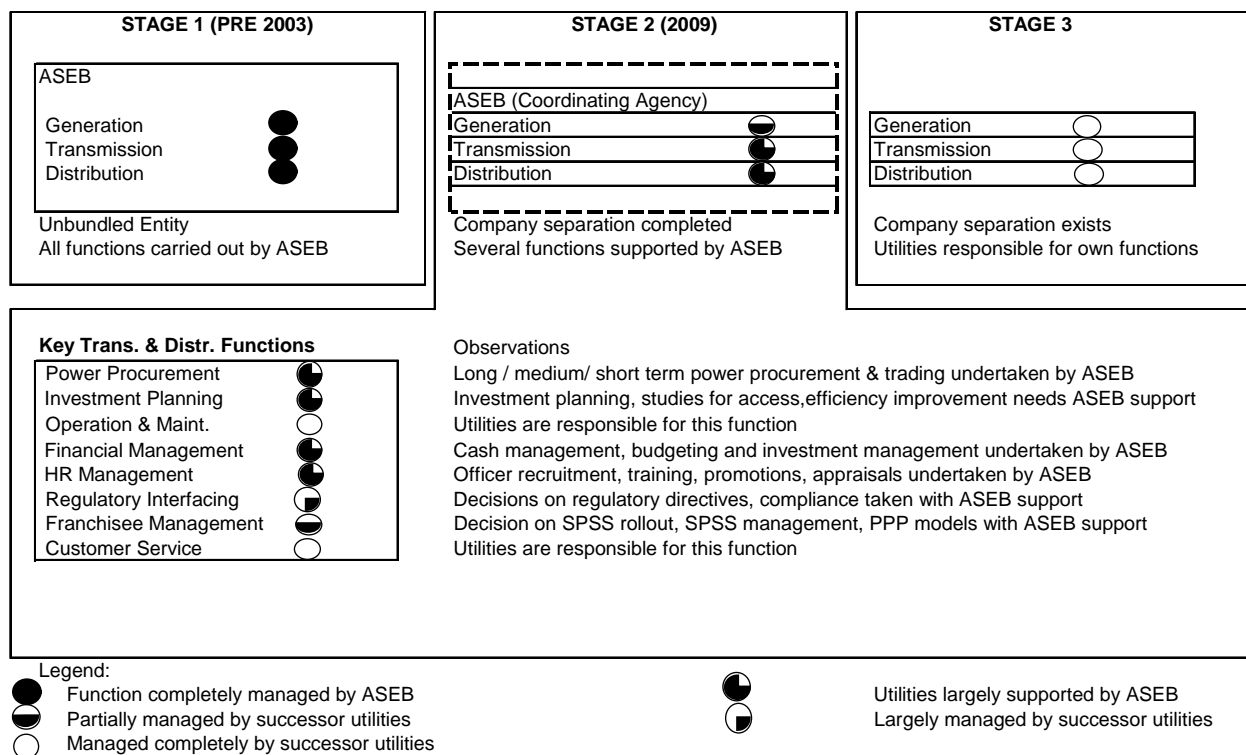
11. The distribution network in Assam is characterized by overloaded transformers and long distribution feeders, thereby increasing distribution losses to 55%–60% in some areas. The challenge for the T&D systems is the inadequate infrastructure and capabilities to accurately measure and monitor losses at each point. Furthermore, while many distribution transformers are metered, micro energy accounting is not possible because of the lack of consumer indexing and linkage with the distribution transformers. Under the APSDP, 370,000 units of intelligent and downloadable meters with tamper-proof boxes were installed across the state. However, the magnitude of the impact of such meter replacement has been limited as meter reading is still undertaken manually. Also, certain special features of these meters that can reduce human interference in meter reading have not been fully activated because of the absence of information technology systems in distribution utilities. Addressing such capacity and training requirements in distribution utilities will have a significant impact on commercial loss reduction.

4. Sector and Corporate Governance

12. Cognizant of weak sector and corporate governance, GOA initiated power sector reform in 2001 in tandem with the APSDP. This resulted in tangible outcomes, i.e., (i) enhanced legal, policy, and regulatory framework; and (ii) unbundling of ASEB.

13. **Legal, Policy, and Regulatory Framework.** Throughout the reform process, AERC, an independent state regulatory agency formed in 2001, has adopted a realistic and supportive position through its regulatory initiatives, e.g., (i) notification of the terms and conditions of the tariff in 2005, (ii) issuance of regularly updated tariff orders for the utilities attempting to focus on cost-recovery aspects, and (iii) notification of standards of performance for T&D licensees in 2004. In 2009, AERC initiated multiyear tariff proceedings to enhance efficiency improvements and predictability in cost and tariff setting.

Figure 1: Unbundling of Assam State Electricity Board



14. **Unbundling of Assam State Electricity Board.** In 2002, ASEB, under the Companies Act (1956), incorporated the successor entities: APGCL, AEGCL, and three distribution utilities. Through the transfer scheme, the existing assets of generation, transmission, and distribution were transferred to these utilities. ASEB remains active as a coordinating agency. Despite the physical unbundling, institutional, managerial, and financial sustainability is undermined by limited corporate governance of the successor entities (Figure 1). Due to this constraint, ASEB is responsible for centralized corporate strategy, and financial and human resource management. Capacity development is required for the unbundled structure to be fully operationalized. The organization structure of AEGCL is in Appendix 3.

15. **Financial Restructuring Plan.** Achieving financial sustainability of the sector is a key objective of GOA's power reforms. Prior to unbundling, ASEB's high-cost structure, e.g., sub-optimal billing and collection, significantly undermined its financial health. Chronic defaults on payments to most of its creditors and suppliers resulted in a large burden of accumulated debts. To restore the financial viability of the power sector, GOA initiated a financial restructuring plan (FRP) in 2003, focusing on debt restructuring and transitional financial support to enable the new companies to start with a clean slate. The FRP indicated that ASEB would require transitional support to meet a projected shortfall of Rs2.71 billion. The FRP involved a total restructuring adjustment of Rs45.6 billion, comprising a noncash settlement of Rs34.0 billion and Rs11.6 billion for liabilities involving cash settlement. Supported by the APSDP, GOA successfully completed the FRP in 2008.

16. With successful completion of the FRP, the financial position of ASEB improved significantly. Tariffs and costs gradually converged from 2003 to 2007 resulting in cost coverage of 85% in 2007.

5. Assam Transmission and Distribution Sector Road Map

17. The Assam Transmission and Distribution Sector Road Map, linked with the Transmission and Distribution Sector Investment Program (the Investment Program) aims to (i) strengthen power transmission capacity to deliver reliable, and affordable electricity; (ii) improve access to electricity, e.g., off-grid rural electrification with appropriate sources renewable energy; (iii) enhance efficiency and quality of power supply; (iv) fully operationalize the unbundled utilities; and (v) promote private sector participation through innovative distribution franchising models.

Sector Roadmap

Objectives	Impact	Performance Target	Measurement	Government Role
A. Policy and Regulatory Framework				
Government of Assam Power Policy <ul style="list-style-type: none"> ○ Achieve commercial efficiency and financial viability ○ Attract private capital by promoting private sector participation in the power sector ○ Ensure availability of electricity to consumers at reasonable and competitive rates 	<p>A sustainable state electricity sector with increased transmission and distribution capacity to support inclusive economic growth</p>	<p>Increased in-state power sales to match growing demand relative to 2008 baseline of 2,650 GWh</p> <p>Improved state gross domestic product per capita relative to baseline of 2009 (Rs18,598 /capita)</p> <p>100% Village electrification and electricity access to 100% households</p> <p>Increased transmission system active power carrying capacity from 766 MW in 2008 to 1,883 MW in 2014</p> <p>Enhanced transmission transformation capacity to reduce transformer loading to less than 80% from the current 95%</p>	<p>ASEB reports and ADB review mission</p> <p>GOA reports</p> <p>ASEB reports and RGGVY reports</p> <p>AERC reports and tariff orders, AEGCL annual reports</p> <p>AERC reports and tariff orders, AEGCL annual reports</p>	<p>GOA remains committed to the Investment Program and power sector reforms with the objective of providing power to all.</p> <p>GOA establishes related implementation procedures and institutional mechanisms (ongoing)</p>

<p>Sector Governance under Electricity Act, 2003 , AERC Framework for Utility</p> <ul style="list-style-type: none"> Promote competition, protect consumer interests, rationalize tariffs and remove subsidies, strengthen regulatory institutions, and provide open access to users 	<p>Financially viable power sector in the state</p>	<p>Implementation of multiyear tariff as per National Tariff Policy</p> <p>AERC guidelines for utilities aligned based on CERC 2009–2014 regulations</p>	<p>GOA, AERC reports</p> <p>AERC tariff framework and tariff orders</p>	<p>Development of multiyear tariff framework supported in accordance with objectives of the act</p>
<p>B. Project Implementation</p>				
<p>Investment in Power Sector Infrastructure</p> <ul style="list-style-type: none"> Investment in access to power (transmission): Expand existing system to remove constraints of power delivery, congestion in existing systems and enhance network reliability 	<p>Efficient, reliable transmission of electricity within the state to meet growing demand thus enhancing state revenues while addressing transmission asset obsolescence</p>	<p>Addition of 365 ckt-km of 220 kV, 242 ckt-km of 132 kV in transmission</p> <p>Addition of 3 new 220 kV substations (600 MVA), 11 new 132 kV substations (654 MVA), 715 Ckt-Kms of OPGW</p>	<p>Additional kilometers of transmission lines and additional MW of transmission capacity as reported in CEA reports. AEGCL, GOA reports</p>	<p>Government supports AEGCL to meet target including supporting counterpart obligations for transmission capacity development.</p>
<ul style="list-style-type: none"> Investment in access to power (distribution): Expand the distribution network to cover all villages and households within the state Energy efficiency enhancement (loss reduction in the transmission and distribution system) Achieve benchmark losses as set by the 	<p>Efficient distribution of electricity within the state of Assam, thus enhancing state revenues and harnessing latent/migrated demand of high value consumers</p> <p>Improved availability of power with cost</p>	<p>100% village electrification under Rajeev Gandhi Grameen Viduyutikaran Yojana</p> <p>100% electricity access to households</p> <p>Achievement of 4% loss levels in transmission and 15% loss levels in LAEDCL</p>	<p>Additional kilometers of distribution lines and additional MW of distribution capacity as reported in Assam LAEDCL, GOA reports</p> <p>ASEB, AEGCL, LAEDCL, and AERC reports.</p>	<p>Government supports LAEDCL including supporting counterpart obligations for access to power development.</p> <p>Government supports AEGCL and LAEDCL to</p>

<p>Government</p> <p>○ Increased private sector investment in the state power sector Increase private sector investment and competition resulting in enhanced efficiency</p>	<p>reduction to serve end consumer resulting in retail tariff optimization</p> <p>Increased private sector investment in power sector resulting in government funds being available for other development activities.</p>	<p>Reactive compensation of 9 substations (130 MVAR at 33 kV level) by 2012.</p> <p>Continued increase of private investment in generating plants, and expansion of private investment in transmission and distribution subsectors</p>	<p>AERC tariff orders and LAEDCL reports</p> <p>Generation-related private investments starting 2010</p>	<p>meet loss reduction targets including supporting counterpart obligations for loss reduction</p> <p>Government supports LAEDCL, AEDA, and APGCL in enabling these investments</p>
C. Capacity Development				
<p>Corporate Development of AEGCL and LAEDCL</p> <p>• Governance</p> <p>○ AEGCL, LAEDCL, and APGCL are corporatized entities with fully functioning organization structure</p>	<p>Efficient, financially viable state sector utilities in generation and transmission, and LAEDCL to meet sector objectives</p>	<p>Handover of residual ASEB functions to successor companies</p> <p>Adequate staffing</p>	<p>GOA reports</p> <p>AEGCL and/or LAEDCL reports</p>	<p>GOA supports required corporate development and implementation of corporate governance measures in AEGCL, LAEDCL, and APGCL</p>
<p>○ Financial management Computerize accounting and MIS, design, and project monitoring and management functions consistent with Companies Act, and international best practice and benchmarks</p>	<p>Project management and monitoring functions: costs and physical progress</p> <p>Improved capital investment planning system</p> <p>Accounting policies and</p>	<p>Internal audit functions strengthened</p> <p>AEGCL and LAEDCL to develop capital expenditure budgeting and monitoring systems</p> <p>Updated accounting policies and accounting manuals</p>	<p>Annual report of AEGCL, LAEDCL management</p> <p>Annual report of AEGCL, LAEDCL management</p> <p>Annual report of AEGCL,</p>	<p>Government supports the current capacity development program that covers financial management development on a timely basis from 2010 to 2012 in AEGCL and LAEDCL</p>

	<p>manuals in line with Accounting Standards, gaps identified for IFRS compliance</p> <p>Annual financial reporting: accuracy and timeliness</p>	<p>Gap analysis with IFRS Compliance completed by 2012</p> <p>Timely preparation of quarterly progress reports submitted to ADB</p>	<p>LAEDCL management</p> <p>Annual audited financial statements and internal audit reports</p>	
<ul style="list-style-type: none"> o Human Resource: Develop and update human resource strategy and performance management system o Comprehensive capacity building through rollout of training within ASEB personnel 	<p>Improved human resource planning and resourcing strategy</p> <p>Training calendar for utility personnel implemented</p>	<p>Review of organization structure and postrationalization completed by 2010</p> <p>Redesign and implement human resource strategy for AEGCL and LAEDCL</p> <p>Complete training needs analysis by 2010, training program rollout by 2011</p>	<p>GOA reports</p> <p>AEGCL and LAEDCL reports and tariff orders</p> <p>AEGCL and LAEDCL reports</p>	<p>Government supports the current capacity development program covering human resource development, implemented on a timely basis from 2010 to 2012 in AEGCL and LAEDCL.</p>

ADB = Asian Development Bank, AEDA = Assam Energy Development Agency, AT&C = aggregate technical and commercial, CEA = Central Electricity Authority, CERC = Central Electricity Regulatory Commission, GOA = government of Assam, AEGCL = Assam Electricity Grid Corporation Limited, AERC = Assam Electricity Regulatory Commission, ASEB = Assam State Electricity Board, GWh = gigawatt-hour, IPP = independent power producer, KPI = key performance indicator, LAEDCL = Lower Assam Electricity Distribution Company Limited, MOU = memorandum of understanding, R&R = resettlement and rehabilitation, MIS = management information system, TA = technical assistance.

B. Investment Program and Financing Plan

18. The Investment Program, Facility and Tranche 1 as well as the indicative financing plan for 2009–2014 are shown in Tables 2a and 2b respectively.

Table 2a: Investment Program

(\$ million)	Investment Program	Facility Related Projects	Tranche 1
Transmission	561.6	237.0	92.6
Distribution	150.0	75.2	0.0
Capacity Development ^a	2.4	2.4	2.4
Distributed Decentralized Generation	50.0	0.0	0.0
Total	764.0	314.6	95.0

^a The Investment Program does not include CDTA.
Source: ADB estimates.

Table 2b: Financing Plan

(\$ million)	Investment Program	Facility Related Projects	Tranche 1
ADB	200.0	200.0	60.3
World Bank ^a	360.0	0.0	0.0
Government of Assam	154.0	114.6	34.7
Private Sector	50.0	0.0	0.0
Total	764.0	314.6	95.0

^a US\$ 764.0 million includes the investment for the Assam portion under the "Composite Scheme of development of transmission and distribution network in North East Region" Part of this has been proposed for World Bank funding amounting to US\$ 360 million for Assam.
Source: ADB estimates.

SCHEDULE 2

Design and Monitoring Framework for Components of the Investment Program Financed by the Multitranche Financing Facility

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>Impact A sustainable state power sector with increased transmission and distribution capacity to support inclusive economic growth</p>	<p>Increase of in-state power sales to match growing demand relative to 2008 baseline of 2,650 GWh meeting the demand increase as per the estimate for 2014</p> <p>Improvement in the state gross domestic product per capita relative to baseline of 2009 (Rs18,598/capita)</p>	<p>AERC tariff orders</p> <p>Planning Commission reports</p>	<p>Assumptions GOA remains committed to the Investment Program and power sector reforms with the objective of providing power to all.</p>
<p>Outcome Enhanced quality and expanded service delivery of electricity in Assam through improved technical, commercial, and financial performance and capability of the power sector utilities</p>	<p>Village electrification and access to household electrification to reach 100%</p> <p>Transmission system active power-carrying capacity increased from 766 MW in 2008 to 1,883 MW in 2014</p> <p>Enhanced transmission transformation capacity decreases transformer loading to less than 80% from the current 95%.</p> <p>System losses reduced from 35% (6% transmission, 29% distribution) in 2008 to 19% (4% transmission, 15% distribution) in 2014</p>	<p>Ministry of Power reports</p> <p>Annual reports of AEGCL</p> <p>Load flow studies conducted by third parties</p> <p>Tariff orders of AERC</p>	<p>Assumptions Operation and maintenance of the installations are carried out according to standard requirements.</p> <p>Adequate number of competent staff is available in the companies.</p> <p>Load growth in Assam is as projected.</p> <p>Risks Capacity and communication constraints in ASEB, AEGCL, and LAEDCL cause delay.</p>
<p>Outputs Physical Investments 1. Access to power: Constructed new transmission lines and substations, and other transmission system improvement activities</p>	<ol style="list-style-type: none"> 1. Creation of 14 substations (3 of 220 kV/132 kV and 11 of 132kV/33 kV) 2. Addition of 607 ckt-km transmission lines 3. Upgrading of ground wire to OPGW 	<p>AEGCL and LAEDCL annual reports</p>	<p>Assumptions Counterpart funds for timely project implementation are made available.</p>

<p>Constructed new distribution lines and substations, augmented existing substations, conclusion of electrification programs</p>	<ol style="list-style-type: none"> 1. Creation of 27 new substations 2. Augmentation of 18 existing substations 3. Addition of 477 km of 33 kV network and 368 km of 11 kV network 	<p>AEGCL and LAEDCL annual reports</p>	<p>Approval of contract awards by relevant authorities is timely.</p> <p>Land acquisition and regulatory approval of construction of transmission lines and substations is timely.</p>
<p>2. Energy efficiency enhancement Extended and augmented transmission substations, refurbished existing substations, reactive compensation, introduction of new technologies to reduce loss</p>	<ol style="list-style-type: none"> 1. Extension and augmentation of 13 existing substations 2. Installation of reactive power compensation schemes of 130 MVAR of 33 kV capacitors 3. Refurbishment of existing transmission substations 4. Conversion of 60 existing DTR to HVDS/LT less systems 5. Installation of 65 km of ABC cables 	<p>LAEDCL annual reports</p>	<p>Risks Regulatory approval for rights-of-way in forest areas is not obtained in a timely manner.</p> <p>Increase in prices of raw materials exceeds contingency and inflation forecasts.</p>
<p>3. Distribution franchisee Investment</p>	<ol style="list-style-type: none"> 1. Support for investment in distribution lines and bulk metering 2. Information technology hardware for billing, metering at franchisee level and franchisee data analysis for LAEDCL 	<p>AEGCL and LAEDCL annual reports</p>	
<p>Nonphysical investments: 1. Project implementation support</p>	<p>Timely and relevant tranche 1 project implementation, e.g., procurement, disbursement and adherence to safeguards</p>	<p>APGCL, AEGCL, and LAEDCL annual reports</p>	
<p>2. Institutional and/or capacity development of ASEB, APGCL, AEGCL, and LAEDCL</p>	<p>Strengthened financial and human resource management capacity and reengineered business processes in APGCL, AEGCL, and LAEDCL</p>	<p>Timely preparation of annual audited financial statements and other relevant reports.</p>	
<p>3. Distribution franchising</p>	<p>The number of consumers under franchisees doubles from May 2009 number to December 2014 through empowerment and strengthened institutional capacity with training</p>	<p>APGCL, AEGCL, and LAEDCL annual reports</p>	
<p>4. Renewable energy development</p>	<p>Identification and development of pilot off-grid rural electrification projects with renewable energy</p>	<p>LAEDCL annual reports</p>	
<p>Activities with Milestones Tranche 1 Transmission Substations 1.1 Procurement of major equipment: Issuance of bidding documents by September</p>			<p>Inputs Total:US\$ 764 million</p>

<p>2009 and contract awards by March 2010</p> <p>1.2 Construction of substation packages started by April 2010</p> <p>1.3 Commissioning of substation packages by March 2012</p> <p>Transmission Lines</p> <p>2.1 Procurement of major equipment: Issuance of bidding documents by November 2009 and contract awards by May 2010</p> <p>2.2 Construction started by June 2010</p> <p>2.3 Commissioning by May 2012</p> <p>Consulting Services</p> <p>3.1 Issuance of EOI by June 2009 and contract awards by November 2009</p> <p>3.2 Mobilization by December 2009</p> <p>3.3 Conclusion of consulting services by August 2013</p> <p>Tranche 2</p> <p>Transmission Substations</p> <p>4.1 Procurement of major equipment: Issuance of bidding documents by January 2010 and contract awards by September 2010</p> <p>4.2 Construction started by October 2010 for substation packages</p> <p>4.3 Commissioning by September 2012 for substation packages</p> <p>Transmission Lines</p> <p>5.1 Procurement of major equipment: Issuance of bidding documents by January 2010 and contract awards by September 2010</p> <p>5.2 Construction started by October 2010</p> <p>5.3 Commissioning by September 2012</p> <p>Tranche 3</p> <p>6.1. Procurement of major equipment: Issuance of bidding documents between December 2010 and June 2011, and award of contracts between June 2011 and December 2011</p> <p>6.2 Construction started between July 2011 and January 2012</p> <p>6.3. Commissioning between December 2012 and June 2013</p>	<ul style="list-style-type: none"> • ADB: US\$ 200 million • World Bank: US\$ 360 million • GOA:US\$154 million • Private Sector: US\$ 50 million
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ABC = aerial bunched cables, ADB = Asian Development Bank, AEGCL = Assam Electricity Grid Corporation Limited, AERC = Assam Electricity Regulatory Commission, APGCL = Assam Power Generation Corporation Limited, ASEB = the Assam State Electricity Board, CO₂ = carbon dioxide, CPSU = central power sector undertakings, DTR = distribution transformer, GOA = government of Assam, HVDS = high voltage distribution system, GWh = gigawatt-hour, kV = kilovolt, LAEDCL = Lower Assam Electricity Distribution Company Limited, LT = low tension, MFF = multitranche financing facility, MVAR = mega volt ampere reactive, MW = megawatt, OPGW = optical pilot ground wire

**Design and Monitoring Framework for Components of the Investment Program
Financed by Tranche 1 of the Multitranche Financing Facility**

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>Impact A sustainable state power transmission sector to support inclusive economic growth</p>	<p>Increase in the in-state availability of power at the transmission output interface relative to 2008 baseline of 0.9 GW meeting the demand increase as per the estimate for 2014</p> <p>Improvement in the state gross domestic product per capita relative to baseline of 2009 (Rs18,598/capita)</p>	<p>AERC tariff orders</p> <p>Planning Commission reports</p>	<p>Assumptions GOA remains committed to the Investment Program and power sector reforms with the objective of providing power to all.</p> <p>Significant proportion of energy for Assam will be from clean sources.</p>
<p>Outcome Enhanced transmission capacity and quality with physical and institutional capacity development</p>	<p>Increase in transmission system active power carrying capacity from 766 MW in 2008 to 1,883 MW in 2014 (Among the targeted 1,117MW increase, 513 MW will be attributed to the tranche 1 investment)</p> <p>Transmission transformation capacity of 6 transmission substations enhanced to reduce transformer loading to less than 80% from the current 95%</p> <p>System losses reduced from 6% transmission in 2008 to 4% transmission in 2014 (Among the targeted 2% reduction, 0.08% will be attributed to the tranche 1 investment)</p>	<p>Annual reports of AEGCL</p> <p>Load-flow studies conducted by third parties</p> <p>Tariff orders of AERC</p>	<p>Assumptions Operation and maintenance of the installations are according to standard requirements.</p> <p>Adequate number of competent staff is available in the companies.</p> <p>Load growth in Assam is as projected.</p> <p>Regulatory mechanisms and intervention are consistent.</p> <p>Risks Project delays are due to capacity and communication constraint in ASEB and AEGCL.</p>
<p>Outputs Physical Investments 1. Access to power (transmission) Constructed new transmission lines and substations, augmented existing substations, and miscellaneous transmission system improvement activities</p> <p>2. Energy efficiency enhancement (transmission loss reduction) Extended and augmented existing substations</p> <p>Nonphysical investments: 1. Project implementation support</p>	<p>1. Creation of 1 new substation of 220/132 kV</p> <p>2. Creation of 5 new substations of 132/33 kV</p> <p>3. Creation of 180 km of 220 kV transmission line</p> <p>4. Creation of 82 km of 132 kV transmission line</p> <p>1. Extension and augmentation of 2 existing transmission substations</p> <p>Timely and relevant tranche 1 project implementation, e.g., procurement, disbursement, and adherence to</p>	<p>AEGCL annual reports</p> <p>AEGCL annual reports</p> <p>AEGCL and LAEDCL annual reports</p>	<p>Assumptions Counterpart funds for timely project implementation are made available.</p> <p>Approval of contract awards by relevant authorities is timely.</p> <p>Land acquisition and regulatory approval of construction of transmission lines and substation is timely.</p> <p>Risks Regulatory approval for rights-of-way in forest areas is not obtained in a timely manner.</p> <p>Increase in prices of raw</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>2. Institutional and/or capacity development of ASEB, APGCL, AEGCL, and LAEDCL</p> <p>3. Distribution franchising</p> <p>4. Renewable energy development</p>	<p>safeguards</p> <p>Strengthened financial and human resource management capacity of APGCL, AEGCL, and LAEDCL</p> <p>Timely preparation of annual audited financial statements and other relevant reports</p> <p>Number of consumers under franchisees doubled from May 2009 to December 2014 through empowerment and strengthened institutional capacity with training</p> <p>Identification and development of pilot off-grid rural electrification projects with renewable energy</p>	<p>APGCL, AEGCL, and LAEDCL annual reports</p> <p>APGCL, AEGCL, and LAEDCL annual reports</p> <p>LAEDCL annual reports</p> <p>LAEDCL annual reports</p>	<p>materials exceeds contingency and inflation forecasts.</p>
<p>Activities with Milestones</p> <p>Transmission Substations</p> <p>1.1 Procurement of major equipment: Issuance of bidding documents by September 2009 and contract awards by March 2010</p> <p>1.2 Construction of substation packages started by April 2010</p> <p>1.3 Commissioning of substation packages by March 2012</p> <p>Transmission Lines</p> <p>2.1 Procurement of major equipment: Issuance of bidding documents by November 2009 and contract awards by May 2010</p> <p>2.2 Construction started by June 2010</p> <p>2.3 Commissioning by May 2012</p> <p>Consulting Services</p> <p>3.1 Issuance of EOI by June 2009 and contract awards by November 2009</p> <p>3.2 Mobilization by December 2009</p> <p>3.3 Conclusion of consulting services by August 2013</p>			<p>Inputs</p> <p>Total: US\$ 95.0 million</p> <p>ADB: US\$ 60.3 million</p> <p>GOA: US\$ 34.7 million</p>

ADB = Asian Development Bank, AEGCL = Assam Electricity Grid Corporation Limited, AERC = Assam Electricity Regulatory Commission, APGCL = Assam Power Generation Corporation Limited, ASEB = Assam State Electricity Board. CO₂ = carbon dioxide, CPSU = central power sector undertakings, GOA = government of Assam, kV = kilo Volt, LAEDCL = Lower Assam Electricity Distribution Company Limited, LT = low tension, MFF = multitranche financing facility, MVAR = mega volt ampere reactive, MW = megawatt, O&M = operation and maintenance

SCHEDULE 3

IMPLEMENTATION FRAMEWORK

1. Unless otherwise stipulated in any of loan or project agreements under the Facility, the Facility shall be implemented as follows:

Implementation Arrangements

2. The State and ASEB will be the Executing Agencies (EAs) for the Facility. ASEB has already setup a program management unit (PMU) headed by a Director at its headquarters in Guwahati (that is the same PMU functioning for ongoing ADB loan 2037-IND). The unit, will work with the related functional departments of ASEB and the AEGCL and LAEDCL (IAs) and will be responsible for processing appraising, and implementing the projects under the Facility, covering the development and completion of technical reports, feasibility studies, preliminary design reports, environmental assessment reports, resettlement and indigenous people's development plans, and detailed design reports to ensure their compliance with the Government, the States and ADB requirements.

3. The State and ASEB will arrange for adequate counterpart funding for the timely implementation of the projects. ASEB and the State will also provide, as necessary, respective counterpart staff, land facilities in accordance with the financing plan, the cost of making land available, and assistance, and implementation and monitoring under the IEE/EIA, RP and IPDP (including cost of EMP and mitigating unforeseen environmental impacts, beyond the estimates), utility relocation, general management expenses, in a timely manner.

Performance Monitoring, Review and Progress Reports

4. ADB shall field an inception mission within 3 months of the approval of the Facility. ADB shall review the implementation and operation of the Facility based on the quarterly progress reports and meet with ASEB and the State semi-annually to discuss the progress of the individual project and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving the objectives of the projects, and the Facility under the Investment Program.

5. PMU in coordination with AEGCL and LAEDCL will establish for the Facility as well as for each Project a project performance monitoring system. The performance reports for each project will be compiled for preparing Facility level performance reporting.

6. The PMU shall prepare progress reports for respective projects under the Facility and submit these to ADB on a quarterly basis within 30 days from the end of each quarter. Each report shall provide a narrative description of progress made during the period in respect the project, changes in the implementation schedule, problems or difficulties encountered, and the work to be carried out in the next period. The progress report will also include project expenditures for the year to date and total expenditure to date. ASEB shall undertake periodic project performance review under each individual loan, and also for the Facility to evaluate the scope, implementation arrangements, progress and achievements of objectives of the related project and the overall Facility. Performance shall be evaluated based on indicators and targets stipulated in the Design and Monitoring Framework for the Facility.

7. A midterm review shall be carried out 2 years after the loan effectiveness for each project and also for the Facility focusing on the engineering, resettlement, environmental and social aspects, and reviewing the financial status of AEGCL and LAEDCL. The review will allow for any necessary midcourse corrections to ensure successful project implementation and achievement of objectives of the overall Facility and the Investment Program.

8. AEGCL and LAEDCL shall coordinate with PMU in order to support ASEB to furnish to ADB a project completion report within 6 months of physical completion of the related project, and Facility completion report within 6 months of physical completion of the Facility. These reports shall cover a detailed evaluation of projects and the Facility respectively, covering the design, costs, contractors' and consultants' performance, social, environmental and economic impact, economic rate of return, and other details for each project and the Facility as may be requested by ADB.

Audit and Accounting

9. ASEB, AEGCL, and LAEDCL shall (i) have its respective accounts (including imprest accounts), statement of expenditure (SOE) procedure and financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (ii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto including the auditors' opinion on the use of the loan proceeds and compliance with the financial covenants of related loan agreement and use of imprest account and SOE procedures, all in the English language; and (iii) furnish to ADB such other information concerning such accounts (including imprest accounts), SOE procedure and financial statements and the audit thereof as ADB shall from time to time reasonably request.

Sub project Implementation

10. ASEB, AEGCL, and LAEDCL will ensure that the sub projects are evaluated and selected in accordance with the criteria set out in the Schedule 4 to this FFA and implemented in accordance with the procedures set out therein.

Institutional Reforms

11. ASEB will carry out the capacity development TA in a timely manner. In this regard, ASEB will ensure full participation of APGCL, AEGCL and LAEDCL. ASEB, in consultation with the APGCL, AEGCL and LAEDCL, will develop a New Business Process (NBP) to support APGCL, AEGCL and LAEDCL to strengthen the functions of corporate, human resources (HR), and financial management in consultation with relevant stakeholders so that the functions will be fully delegated to APGCL, AEGCL, and LAEDCL within 5 years of the inception of the TA.⁶

⁶ The NBP, including HR matters should address both long term organizational objectives for each utility while also recognizing the immediate issues. Workers representatives will be fully involved in the process to ensure interests of all employees are addressed. Hence, ASEB will undergo a full consultation and participation (C and P) process including: (i) stakeholder analysis, (ii) provision and disclosure of documents to the stakeholders, (iii) announcement of the date for consultation on specific issues, and (iv) adequate monitoring of the C and P process.

SCHEDULE 4

SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECTS

A. Selection Criteria

Selection and preparation of projects will be the responsibility of the ASEB and IAs. The criteria for selecting each subproject are as follows.

- (i) The subproject is consistent and forms part of the 11th Five Year Plan;
- (ii) The subproject was designed on a least cost basis, and reflects “best practice” design, construction, and operations and maintenance features;
- (iii) The subproject displays performance-based design consistent with international benchmarks for system efficiency and operational risks;
- (iv) The subproject will be economically viable and financially sustainable;
- (v) The subproject was prepared and designed in compliance with this FFA (including ADB’s Social and Safeguard Requirements set forth in Schedule 5 to the FFA);
- (vi) a land acquisition and resettlement plan (RP) that meets the requirements of ADB’s *Involuntary Resettlement Policy* (2005), Borrower’s and State’s applicable laws and regulations, and the resettlement framework (RF) referred to in Schedule 5, has been prepared for the subproject and submitted to ADB for review, as necessary;
- (vii) an indigenous people development plan (IPDP) that meets the requirements of ADB’s *Policy on Indigenous Peoples* (1998), Borrower’s and State’s applicable laws and regulations, and the indigenous people development framework (IPDF) referred to in Schedule 5, has been prepared for the subproject and submitted to ADB for review, as necessary;
- (viii) an environmental impact assessment or an initial environmental examination (as the case may be) and an environmental management and monitoring plan that meet the requirements of ADB’s *Environment Policy* (2002) , Borrower’s and State’s applicable laws and regulations, and the Environmental Assessment and Review Framework (EARF) referred to in Schedule 5, have been prepared for the subproject and submitted to ADB for review;
- (ix) Summary Environmental Impact Assessment or Summary Initial Environmental Examinations for environment category A and B-sensitive respectively, have been prepared for the subproject and reviewed by ADB as required and made available to the public 120 days before a PFR is submitted to ADB.
- (x) a poverty and social assessment will be conducted for the subproject and results have been presented in ADB’s Summary Poverty Reduction and Social Strategy (SPRSS) format and the results would be taken into consideration for selection of future sub-projects;
- (xi) sufficient counterpart funding has been allocated by GOA as required to implement the subproject as scheduled and maintain the project in accordance with the requirements of the FFA; and

- (xii) all necessary Government and GOA approvals have been obtained.

B. Approval Process

The approval procedures will be as follows:

- (i) ASEB and IAs will prepare a PFR based in a format agreed with ADB to finance the projects.
- (ii) ASEB will review the project proposals to confirm compliance with selection criteria and then forward those eligible projects for endorsement by Government prior to submitting the PFR to ADB.
- (iii) ASEB, IAs and ADB will maintain contact through periodic review missions and quarterly progress reports, and in doing so may include advanced consultation on PFRs prior to submission to ADB.

SCHEDULE 5

SOCIAL DIMENSIONS & SAFEGUARD REQUIREMENTS

1. India will cause the State to ensure that all the requirements prescribed in this Schedule, and the following safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which ADB has been provided full copies and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the projects under the Facility.

- (i) the environmental assessment and review framework (EARF) dated May 2009,
- (ii) the Resettlement Framework (RF) dated May 2009;
- (iii) Indigenous Peoples Development Framework (IPDF) dated May 2009;
- (iv) Initial Environmental Examination (IEE) for Tranche-1 components and Environment Management Plan (EMP) dated May 2009;
- (v) the Summary Initial Environment Examination (SIEE) for Tranche-1 dated May 2009; and
- (vi) the Short Resettlement Plan (SRP) for Tranche-1, dated May 2009

2. The frameworks cover the Facility specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the projects likely to be financed under the Facility on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; (iv) the institutional arrangements (including budget and capacity requirements) and India's, the State's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed by all parties and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's safeguard policies, as amended from time to time.

4. In all cases, for each new PFR preparation, India through the State and ASEB will review on-going projects to check on the status of compliance with the safeguard plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the projects included in the tranche being processed. In any case of major noncompliance is discovered in the course of the review of on-going projects, a corrective action plan will be prepared and submitted to ADB.

5. **Social.** ASEB shall cause the IA to ensure that civil works contracts under the Project follow all applicable labor laws of the Borrower and the State and that these further include provisions to the effect that contractors; (i) carry out HIV/AIDS awareness programs for labor and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction; and (ii) follow and implement all statutory provisions on

labor (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.