

## CAPACITY DEVELOPMENT ARRANGEMENT

1. IREDA is implementing a comprehensive institutional capacity development program with the support of its development partners—ADB, the French Development Agency (AFD), the Japan international Cooperation Agency (JICA), and German development cooperation through KfW; the latter has ongoing technical assistance (TA) projects totaling over \$2 million that cover risk management, treasury operations, a credit risk-rating system, and international financial reporting standards. AFD has an ongoing TA totaling €300,000 and focuses on the development of new renewable energy technologies. JICA is preparing TA covering new renewable energy technologies, financial mechanisms for commercialization, and a computerized database for project monitoring and performance evaluation. Ongoing ADB assistance to operationalize IREDA’s environment and social safeguard unit (ESSU) is supported by ADB’s Technical Assistance to India for Preparing the Clean Energy Finance Investment Program (TA 8365-IND). The consultant terms of reference and cost estimates are provided in appendix 1 and 2.

2. In addition, a more comprehensive institutional capacity development program will be supported by an ADB capacity development TA, expected to be approved in 2014 or 2015. Under tranche 1, ADB plans to help IREDA sustain the ESSU and strengthen its financial management practice, including assessing IREDA’s provision review and implementing liquidity and interest rate gap reporting, among others. Subsequently, ADB will build its future assistance upon the outcomes of the ongoing AFD, JICA, and KfW support. Detailed implementation arrangements are provided in Table 1 below. In view of evolving capacity development needs over a 10-year implementation period, and size of on-going TA programs, the capacity development cost under the ADB loan is estimated at \$1 million. See draft TA concept paper provided in appendix 3.

3. All capacity development work will be provided to IREDA in a coordinated, structured, and harmonized manner to ensure tasks designed by various development partners at different times and/or loan tranches can be incorporated into ADB’s facility implementation. This will provide substantial gains to IREDA, because it will be possible to apply the resulting systems to all development partner assistance (i.e., one ESMS to meet government and development partners requirements).

**Table 1: Development Coordination of Phased IREDA Capacity Development Plan**

	KfW	JICA	AFD	ADB
Phase 1 2014- 2016	<p><b>Risk management</b></p> <ul style="list-style-type: none"> <li>- credit risk process.</li> <li>- policies on drawdowns.</li> <li>- loan monitoring.</li> <li>- project risk assessment.</li> <li>- train on treasury operations.</li> </ul> <p><b>International financial reporting standards</b></p> <ul style="list-style-type: none"> <li>- IFRS conversion.</li> </ul> <p><b>New product development</b></p> <ul style="list-style-type: none"> <li>- develop risk-return</li> </ul>	<p><b>Product development</b></p> <ul style="list-style-type: none"> <li>- commercialize new and mature technologies.</li> </ul> <p><b>Safeguard system</b></p> <ul style="list-style-type: none"> <li>- monitor and evaluate environment and social safeguard.</li> </ul> <p><b>Information technology</b></p> <ul style="list-style-type: none"> <li>- Develop and strengthen information database for project monitoring and evaluation.</li> </ul>	<p><b>Technology development</b></p> <ul style="list-style-type: none"> <li>- train on new renewable energy technologies.</li> </ul> <p><b>Financial and credit analysis</b></p> <ul style="list-style-type: none"> <li>- analyze from a bank/credit perspective</li> </ul> <p><b>Market exposure</b></p> <ul style="list-style-type: none"> <li>- study tours on concentrated solar power generation plants, including study tours to project sites in</li> </ul>	<p><b>Environment and social safeguard system operation</b></p> <ul style="list-style-type: none"> <li>- establish an environment and social safeguard unit.</li> <li>- provide capacity development on the ADB ESMS.</li> </ul> <p><b>Financial risk management</b></p> <ul style="list-style-type: none"> <li>- improve IREDA loan provision review from annual to quarterly basis.</li> <li>- implement liquidity gap reporting and</li> </ul>

	<p>profile.</p> <ul style="list-style-type: none"> <li>- prioritize product development.</li> <li>- market study.</li> </ul> <p>Structured project finance.</p> <ul style="list-style-type: none"> <li>- financial modelling.</li> <li>- risk assessment.</li> </ul> <p><b>Management information system</b></p> <ul style="list-style-type: none"> <li>- gap analysis.</li> <li>- reporting needs for risk, treasury, asset and liability management.</li> <li>- data integrity and control.</li> <li>- procurement and support.</li> </ul> <p><b>Regional outreach</b></p> <ul style="list-style-type: none"> <li>- evaluate, recommend, and restructure, and improve the system.</li> </ul>	<p><b>Market outreach</b></p> <ul style="list-style-type: none"> <li>- enhance market outreach.</li> </ul>	<p>Spain &amp; France</p> <ul style="list-style-type: none"> <li>- Upcoming training on the short-term and spot power markets</li> </ul>	<p>interest rate risk gap reporting.</p>
Phase 2 2017- 2019	<p><b>Environment and social safeguard system operation</b></p> <ul style="list-style-type: none"> <li>- consolidate development partners' similar environment and social safeguard system.</li> </ul>	<p><b>Environment and social safeguard system operation</b></p> <ul style="list-style-type: none"> <li>- consolidate development partners' similar environment and social safeguard system.</li> </ul>		<p><b>Environment and social safeguard system operation</b></p> <ul style="list-style-type: none"> <li>- consolidate development partners' similar environment and social safeguard system.</li> <li>- Further institutionalize and internalize ESMS.</li> <li>- establish a standalone risk unit.</li> <li>- mainstream the consolidated ESMS into IREDA operations.</li> </ul> <p><b>Financial risk management</b></p> <ul style="list-style-type: none"> <li>- separate credit and treasury functions.</li> <li>- obtain major credit rating agencies' rating such as CRISIL and ICRA.</li> </ul>

ADB = Asian Development Bank, AFD = French Development Agency, CRISIL = Credit Rating Information Services of India Limited, ESMS = environment and social management system, ICRA = Indian Credit Rating Agency, IFRS = International Financial Reporting Standards, IREDA = Indian Renewable Energy Development Agency, JICA = Japan international Cooperation Agency, KfW = German development cooperation through KfW.

## Terms of Reference

### A. Environmental Specialist (1 national, 3 person-months, intermittent)

1. The consultant should be an Indian national who is highly familiar with the Asian Development Bank (ADB)'s environment safeguard practices of the multilateral development banks, preferably with ADB. The candidate should have at least a university degree and 10 years of relevant work experience in implementing development projects. The consultant will be based in Indian Renewable Energy Development Agency (IREDA) in Delhi.

#### 1. Objective/Purpose of the Assignment

The objective is to build adequate project implementation capacity at Indian Renewable Energy Development Agency (IREDA) on ADB environment and social safeguards to ensure compliance with ADB's environmental and social safeguard management system (ESMS).

#### 2. Scope of Work

The consultants shall work alongside with the IREDA safeguard staff and the technical services department staff from the very beginning with a focus on developing a functioning ESMS system. The focus should be on skill and knowledge transfer. This work is expected to occur in two phases. In phase 1, which addresses immediate needs, it is required to work alongside with IREDA, doing the work detailed below, including project screening with them, including visiting sites as required, such that the projects earmarked for tranche 1 loan funding are made ready. Phase 2 is an intermediate term approach involving devising training and ongoing improvement.

#### 3. Detailed Tasks

- (i) Familiarize with the ADB transaction to IREDA.
- (ii) Familiarize with IREDA's operations and the details of the ADB project documents, particularly the developed environment and social management system (ESMS), as guided by the ADB Safeguard Policy Statement (SPS) 2009.
- (iii) Review IREDA's current system of ensuring subborrowers' compliance with the ADB's Safeguard Policy Statement, ESMS requirements and relevant Indian national, state laws and regulations, and fine tune the current system if gap exists.
- (iv) Follow the developed ESMS workflow and work closely with the nominated IREDA environment specialist to incorporate the ESMS into the IREDA's subproject review and approval process. This includes subproject environment safeguard review, screening, due diligence, categorization, approval, and monitoring. Work closely with ESSU staff to develop templates as required in accordance with ESMS.
- (v) In addition to working with ESSU staff, work with all relevant technical services department staff on the same subproject review and approval processes in accordance with the developed ESMS.
- (vi) Conduct subproject due diligence and site visits with the technical services team and ESSU environment specialist by adopting the required ADB due diligence template and related requirements.
- (vii) Prioritize the operationalization of the ESSU on a priority basis in coordination with ADB, even with only the consultant capacity.
- (viii) Design and implement a detailed capacity development program, including ADB safeguard workshops, lecturers, coaching, hands-on training, twinning arrangement, etc. on both environment and social safeguard unit (ESSU) staff

and relevant technical services department staff to ensure proper knowledge and skill transfer.

- (ix) Work through at least 2-3 case studies on how to handle ADB environment category A subproject, including the development of environmental impact assessment.
- (x) Fine-tune the subproject review, due diligence, categorization, compliance, and monitoring and reporting process, if needed.
- (xi) Help IREDA develop an ESSU operations manual or operations guideline, and help IREDA operationalize the ESSU.
- (xii) Report to ADB on the progress of capacity development throughout the consultancy assignment.
- (xiii) Ensure that the categorization forms duly filled, environmental impact assessment or initial environment evaluation (including environment management plan), monitoring reports are submitted to ADB for review and approval, in accordance with the ESMS
- (xiv) Fine tune the capacity development plan throughout the assignment period to maximize the impact of skill and knowledge transfer.
- (xv) Identify any procedural discrepancies or misalignments and report such to the IREDA management for improvement of the ESSU operations.
- (xvi) Devise an environment safeguard reporting template to be used by IREDA in their requisite reporting to ADB.
- (xvii) Provide any other support as needed to achieve the preliminary ESSU operationalization prior to ADB board approval.

#### **4. Output**

- (i) Individual subproject environment due diligence reports, rapid environment assessment checklists, and categorization, all satisfactory to ADB and endorsed by IREDA management.
- (ii) ESSU operations manual/procedure covering all aspects of the project ESMS and reflecting current IREDA operation process, satisfactory to ADB and endorsed by IREDA management.
- (iii) In the event IREDA opts to include an Environment category A project in the ADB loan tranche, Environment impact assessment report and related compliance documents satisfactory to ADB.
- (iv) Design a comprehensive capacity building program and delivery of a combination of safeguard workshops, training sessions, twinning arrangements, and coaching to ensure skill and knowledge transfer to ESSU staff and relevant technical services department staff to ensure compliance to ADB environment safeguard requirements.
- (v) Design an environment safeguard monitoring and reporting template to be used by IREDA in their requisite reporting to ADB.

## **B. Social Sector Specialist (1 national, 6 person-months, intermittent)**

1. The consultant should be an Indian national who is highly familiar with the social safeguard practices of the multilateral development banks, preferably with ADB. The candidate should have at least a university degree and 10 years of relevant work experience in implementing development projects.

### **1. Objective/Purpose of the Assignment**

The objective is to build adequate project implementation capacity at Indian Renewable Energy Development Agency (IREDA) on ADB environment and social safeguards to ensure compliance with ADB's environmental and social safeguard management system (ESMS).

### **2. Scope of Work**

The consultants shall work alongside with the IREDA safeguard staff and the technical services department staff from the very beginning with a focus on developing a functioning ESMS system. The focus should be on skill and knowledge transfer. This work is expected to occur in two phases. In phase 1, which addresses immediate needs, it is required to work alongside with IREDA, doing the work detailed below, including project screening with them, including visiting sites as required, such that the projects earmarked for tranche 1 loan funding are made ready. Phase 2 is an intermediate term approach involving devising training and ongoing improvement.

### **3. Detailed Tasks**

- (i) Familiarize with the ADB transaction to IREDA.
- (ii) Familiarize with IREDA's operations and the details of the ADB project documents, particularly the developed environment and social management system (ESMS), as guided by the ADB Safeguard Policy Statement (SPS) 2009.
- (iii) Review IREDA's current system of ensuring subborrowers' compliance with the ADB's Safeguard Policy Statement, ESMS requirements and relevant Indian national, state laws and regulations, and fine tune the current system if gap exists.
- (iv) Follow the developed ESMS workflow and work closely with the nominated IREDA social sector specialist to incorporate the ESMS into the IREDA's subproject review and approval process. This includes subproject involuntary resettlement and indigenous peoples safeguard review, screening, due diligence, categorization, approval, and monitoring. Work closely with ESSU staff to develop templates as required in accordance with ESMS.
- (v) In addition to working with ESSU staff, work with all relevant technical services department staff on the same subproject review and approval processes in accordance with the developed ESMS.
- (vi) Conduct subproject due diligence and site visits with the technical services team and ESSU social safeguard specialist by adopting the required ADB due diligence template and related requirements.
- (vii) Prioritize the operationalization of the ESSU on a priority basis in coordination with ADB, even with only the consultant capacity.
- (viii) Design and implement a detailed capacity development program, including ADB safeguard workshops, lecturers, coaching, hands-on training, twinning arrangement, etc. on both ESSU staff and relevant technical services department staff to ensure proper knowledge and skill transfer.
- (ix) Work through at least 2-3 case studies on how to handle ADB social safeguard category A subproject, including the development of involuntary resettlement plan and indigenous peoples plan.

- (x) Fine-tune the subproject review, due diligence, categorization, compliance, and monitoring and reporting process, if needed.
- (xi) Help IREDA develop an ESSU operations manual or operations guideline, and help IREDA operationalize the ESSU.
- (xii) Report to ADB on the progress of capacity development throughout the consultancy assignment.
- (xiii) Ensure that the categorization forms duly filled, resettlement plans, indigenous peoples plans (if relevant), monitoring reports are submitted to ADB for review and approval, in accordance with the ESMS ,
- (xiv) Fine tune the capacity development plan throughout the assignment period to maximize the impact of skill and knowledge transfer.
- (xv) Identify any procedural discrepancies or misalignments and report such to the IREDA management for improvement of the ESSU operations.
- (xvi) Devise a social safeguard reporting template to be used by IREDA in their requisite reporting to ADB.
- (xvii) Provide any other support as needed to achieve the preliminary ESSU operationalization prior to ADB board approval.

#### **4. Output**

- (i) Individual subproject involuntary resettlement and indigenous peoples due diligence checklists and categorization, involuntary resettlement and indigenous peoples reports all satisfactory to ADB and endorsed by IREDA management.
- (ii) ESSU operations manual/procedure covering all aspects of the project ESMS and reflecting current IREDA operation process, satisfactory to ADB and endorsed by IREDA management.
- (iii) Involuntary resettlement plan and indigenous peoples plan and related compliance documents for any category A subprojects satisfactory to ADB.
- (iv) Design a comprehensive capacity building program and delivery of a combination of safeguard workshops, training sessions, twinning arrangements, and coaching to ensure skill and knowledge transfer to ESSU staff and relevant technical services department staff to ensure compliance to ADB social safeguard requirements.
- (v) Design a social safeguard monitoring and reporting template to be used by IREDA in their requisite reporting to ADB.

**Cost Estimates of the Ongoing Consulting Work to Establish  
IREDA's Environment and social Safeguard Unit.<sup>a</sup>**

<b>Item</b>	<b>Total Cost</b>
<b>Asian Development Bank</b>	
1. Consultants	
Remuneration and per diem	
i. National Consultants (6 person-months)	42,620
ii. Local Travel	4,200
2. Reports and Communications	1,400
3. Surveys	-
4. Miscellaneous administration and support costs	1,000
5. Contingencies	1,200
<b>Total</b>	<b>50,420</b>

<sup>a</sup> To be funded by the current uncommitted TA balance of \$59,224.  
Source: Asian Development Bank estimates.

## Capacity Building of the Indian Renewable Energy Development Agency Draft Technical Assistance Concept Paper

Date: 24 September 2014

1. Country partnership strategy (CPS) / Regional cooperation strategy (RCS): The technical assistance (TA) is included in the Indian Country Operations Business Plan (COBP) <ul style="list-style-type: none"> <li>• Year included in CPS/RCS/COBP/RCOBP/CPS or RCS midterm review report: 2014</li> <li>• Document reference number and date approved: 48222-001 and 3<sup>rd</sup>/4<sup>th</sup> quarter of 2014</li> <li>• In case of change in the TA title, type, or amount, please state reason: N/A</li> </ul>	
2. TA Type <input checked="" type="checkbox"/> CDTA <input type="checkbox"/> R-CDTA <input type="checkbox"/> PATA <input type="checkbox"/> R-PATA <input type="checkbox"/> RDTA <input type="checkbox"/> R-RDTA	3. Cluster: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. Categorization of TA: <input type="checkbox"/> Category A TA <input checked="" type="checkbox"/> Category B TA	
5. Merits for using the TA approach over the grant-financed project approach: N/A	
6. Coverage <input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional	
7. For RDTA: Medium-Term Corporate Strategic Priorities for Research: N/A  <input type="checkbox"/> Promoting Inclusive Growth <input type="checkbox"/> Address increasing commodity price <input type="checkbox"/> Addressing Climate Change <input type="checkbox"/> Demographic Change <input type="checkbox"/> Regional Integration <input type="checkbox"/> Other	
8. Name of the Specialist (project team leader) in charge of the project: Anqian Huang <ul style="list-style-type: none"> <li>• Local Number: 5636</li> <li>• Email Address: ahuang@adb.org</li> </ul>	9. Name of the Alternate Specialist: Andrew Jeffries <ul style="list-style-type: none"> <li>• Local Number: 85514262</li> <li>• Email Address: ajeffries@adb.org</li> </ul>
10. Department/Division: SARD/SAPF and SAEN	
11. Key Development Issues to be addressed: <p>The proposed capacity development technical assistance (CDTA) intends to build the capacity of Indian Renewable Energy Development Agency (IREDA), a wholly government-owned nonbank financial institution and the executing/implementing agency (EA/IA) of a \$500 million ADB multitranche financing facility (MFF) and financial intermediation (FI) loans. The ADB program (Clean Energy Finance Investment Program) supports renewable energy investments in wind, biomass, hydropower, solar, and cogeneration. In order to support IREDA's capacity to effectively meet the compliance requirements, the CDTA is designed to improve IREDA's relevant project administration, operations and management, and social and environment safeguard capacities in order to better service its international borrowing obligations, meet the relevant international best practices, and improve India's renewable energy development needs.</p> <p>Established in 1987 to promote renewable energy investments in India, IREDA is a wholly government-owned nonbank financial institution under the Ministry of New and Renewable Energy (MNRE). IREDA has 27 years of sector experience and captures 11% of renewable energy market share in India. IREDA's sector experience and its long-term funding base enable it to provide limited recourse, cash flow-based financing for up to 15 years that most other financial institutions in India cannot easily provide. To gain such a long-term funding base, IREDA borrows about 50% of its funds from long-term development agencies such as ADB, AfD, JICA, and KfW, among others.<sup>1</sup> Over the past decade, these international lenders gradually strengthened IREDA's compliance requirements on procurement, operations management, project monitoring and review, project audit, financial and risk management, asset quality, credit review, and environment and social safeguards. The CDTA is designed to contribute to this capacity enhancement process to ensure smooth</p>	

<sup>1</sup> IREDA has the remaining 20% of its funds raised from issuing long-term bonds and 30% of its funds from shorter-term bank loans.

development project implementation and help IREDA attain international best practices in operations, management and project administration.

More specifically, ADB due diligence has identified the following issues. First, the implementation of the MFF entails a large amount of administrative requirements on project implementation, including timely preparations and submissions of withdrawal, liquidation, replenishment, reimbursement, and preparation of monitoring and review reports and audit reports. Second, IREDA's operations and management system is not fully aligned with the compliance requirements imposed by the international lenders. To ensure financial soundness, development partners may require certain operational thresholds that exceed the local standards, such as on asset quality, frequency of loan provision reviews, interest rate and liquidity gap reporting requirements, and the appointment of independent directors, among others. Third, in terms of environment and social safeguard, IREDA has relied largely on the local system, which is behind the requirements imposed by the development partners and more particularly the ADB Safeguard Policy Statement 2009. Because IREDA has not implemented any ADB project since 2002,<sup>2</sup> this CDTA could significantly enhance IREDA's capacity in the abovementioned areas to ensure timely project administration, management, review, compliance, and closure. Finally, the CDTA could also significantly complement the facility implementation by helping IREDA meet the current and future tranches' covenants (e.g., financial and risk management under tranche 1) and relevant future conditions precedents.

In line with its current corporate plan, IREDA already began implementing a comprehensive institutional capacity development program supported by development partners of ADB, AfD, JICA, and KfW. KfW has ongoing TA activities totaling about \$2 million that cover risk management, treasury operations, credit risk rating system, and international financial reporting standards. AfD has an ongoing TA totaling €300,000 to support the development of new renewable energy technologies. JICA is preparing a TA to cover new renewable energy technologies, financial mechanisms for commercialization, and a computerized database for project monitoring and performance evaluation. From July 2014, ADB provided consultant resources to help IREDA establish and operationalize the ESSU. The proposed CDTA will provide continuous support on environment and social safeguard compliance while strengthening other IREDA operations. In the initial phase of the proposed CDTA implementation, ADB will help IREDA sustain the ESSU and strengthen its financial management practice (see details below). The improvement of safeguard compliance and financial and risk management would help sustain the renewable energy investments. Subsequently, ADB will dovetail its future technical assistance upon the outcomes of the ongoing KfW, AfD and JICA supports. All capacity development work will be provided to IREDA in a coordinated, structured, and harmonized manner among the development partners to incorporate the tasks designed by different development partners at different time frames from 2015–2018. Particular effort will be given to adopt reporting systems that are compatible and consistent across all supporting development agencies.

See Table 1 above for the TA activity sequencing plan.

## 12. TA Description:

### a. Link to Country Partnership Strategy/Regional Cooperation Strategy:

The proposed CDTA is consistent with ADB's Energy Policy 2009 which includes promoting renewable energy to increase energy security and facilitate transitions to low carbon economies. Capacity building efforts of IREDA contributes to these objectives. The proposed CDTA is also consistent with the India Country Partnership Strategy (CPS) 2013-2017, which emphasizes clean and renewable energy expansion, with expected installed and/or upgraded generating capacity of about 1.3GW of solar, hydro and wind power. The proposed CDTA supports the ADB MFF implementation and underpins the ADB long-term approach to establish a sustained partnership with IREDA to help it become a more commercially oriented, competitive, profitable, and better performing nonbank financial institution in India dedicated for renewable energy development.

### b. Impact

Increased IREDA investment in clean and renewable energy projects.

- By 2024, \$200 million of additional finance and \$300 million private sector equity leveraged by IREDA in order to achieve \$1 billion of investments in renewable energy. (2014 baseline data: 0).

<sup>2</sup> ADB. 1996. Report and Recommendation of the President to the Board of Directors: Renewable Energy Development Project. Manila. (Loan 1465-IND for \$100 million approved on 26 September 1996 and closed on 25 October 2002.)



financial reporting to ADB following OM section J7; and/or  
 payment procedure within ADB in the light of the Technical Assistance Disbursement Handbook.

c. ADB inputs  
 Total cost of the proposed TA grant is \$1,000,000, of which \$750,000 to be financed by the CEFPPF. The cost estimates and financing plan are provided in section 16 below.

d. Complementary inputs to be provided by the government and/or other TA providing agencies  
 IREDA is expected to provide in-kind support in the amount of \$250,000 in the form of office accommodation and transport, remuneration and per diem of counterpart staff, and other associated miscellaneous costs.

15. Nature and/or extent of government and/or beneficiary involvement in identifying or conceptualizing the assistance:  
 ADB has consulted with the Government of India and IREDA on the provision of this proposed CDTA. The CDTA is to be fully aligned with all existing development partners' assistance to IREDA.

16. Cost Estimates

The CDTA is estimated to cost \$1,000,000 equivalent. It is proposed that the ADB provide \$750,000 equivalent on a grant basis from the clean energy financing partnership facility.

Source	Amount (\$)
<b>A. Clean Energy Financing Partnership Facility (CEFPPF) and/or Climate Change Fund (CCF)<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	200,000
ii. National consultants	200,000
b. International travel	50,000
c. Local travel	50,000
d. Reports and communications	50,000
2. Training, seminars, and conferences	
a. Training program	50,000
b. Workshop (knowledge sharing)	30,000
3. Miscellaneous administration and support costs	20,000
4. Contingencies	100,000
Subtotal (A)	750,000
<b>B. Indian Renewable Energy Development Agency</b>	
1. Office Accommodation and Transport	100,000
2. Remuneration and Per Diem of Counterpart Staff	100,000
3. Other Miscellaneous Costs	50,000
Subtotal (B)	250,000
<b>Total</b>	<b>1,000,000</b>

<sup>a</sup> Administered by ADB.  
 Source: Asian Development Bank estimates.

17. Initial assessment on eligibility of expenditure

Proposed activities are likely to comply with specific fund regulations, agreements and/or guidelines.  
 Waiver from the Board may be necessary for {exceeding the normal limit of the use of pilot testing on the project approach.} {use of TASF for items other than the eligible activities defined by TASF regulations.}

The CDTA may involve the creation of a website within the IREDA portal on environment and social safeguard. The CDTA could provide the initial funds to support the development of such a website. Upon the closure of the ADB CDTA, IREDA will commit to continue its funding support to maintain such a website as the environment and social safeguard framework will be permanently institutionalized into its operations.

18. Monitoring and Evaluation

IREDA will be responsible for providing all counterpart resources to successfully implement the CDTA. IREDA shall be responsible for (i) providing counterpart staff to receive the relevant training, (ii) managing consultants and their outputs, (iii) supporting and accommodating periodic ADB MFF and CDTA reviews, and (iv) preparing relevant review reports on ADB MFF and CDTA implementation as indicated in the (MFF) facility

administration manual (FAM) and the TA paper. <sup>3</sup>
19. Estimated period of TA implementation:  a. Approval of TA ___November/2014_____ b. Physical completion of TA __February/2018_ c. Closing of TA ___May/2018_____

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<sup>3</sup> The ADB MFF monitoring and review report shall include: (i) a narrative description of progress made during the review period including the types of technologies financed, disbursement, safeguard due diligence and compliance; (ii) quantitative data on disbursement volume and schedule and relevant subproject financial data; (iii) issues; and (iv) plans for the subsequent reporting period. In addition, the report should include a narrative description and assessment of procurement processes and arrangements in accordance with ADB's Procurement Guidelines and Guidelines on the Use of Consultants (March 2013 as amended from time to time). Finally, IREDA shall submit to ADB the unaudited and when available audited financial statements on an annual basis. The progress reports will be in a format consistent with ADB's facility performance reporting system. All good practices and lessons learned will be consolidated and reported in the TA final report and disseminated on the ADB and IREDA websites.

Project Classification Information Status: Complete

## CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48222-001	
<b>Project Name</b>	Capacity Building of the Indian Renewable Energy Development Agency	<b>Department /Division</b>	SARD/SAPP
<b>Country Borrower</b>	India Indian Renewable Energy Development Agency	<b>Executing Agency</b>	Indian Renewable Energy Dev't Agency Ltd. (IREDA)
2. Sector		ADB Financing (\$ million)	
✓ Finance	Infrastructure finance and investment funds		0.75
		<b>Total</b>	<b>0.75</b>
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Mitigation (\$ million)	0.75
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns Natural resources conservation	CO <sub>2</sub> reduction (tons per annum)	3,200,000
		Climate Change impact on the Project	High
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities Pilot-testing innovation and learning		
Partnerships (PAR)	Bilateral institutions (not client government) Implementation International finance institutions (IFI)		
Private sector development (PSD)	Private Sector Promotion of private sector investment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
<b>6. TA Category:</b>	B		
<b>7. Safeguard Categorization</b>	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
<b>ADB</b>		<b>0.75</b>	
Sovereign Capacity development technical assistance: Climate Change Fund		0.75	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.25</b>	
Beneficiaries		0.25	
<b>Total</b>		<b>1.00</b>	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

## PRELIMINARY DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Increased IREDA investment in clean and renewable energy projects.</p>	<p>By 2024, \$200 million of additional finance and \$300 million private sector equity leveraged by IREDA in order to achieve \$1 billion of investments in renewable energy.<sup>A</sup> (2014 baseline: 0)</p> <p>By 2024, at least 990 MW of additional renewable energy capacity added through IREDA's provision of long-term financing, generating an estimated 3,900GWh of electricity annually.<sup>B</sup> (2014 baseline: 0)</p>	<p>IREDA annual report and other project-specific reports.</p>	<p><b>Assumptions</b> The associated ADB MFF to IREDA is successfully implemented.</p> <p>IREDA's institutional performance is improved and translated to better terms of financing.</p> <p><b>Risk</b> IREDA's reduced dependency on international lenders and their requirements to meet international best practices.</p>
<p><b>Outcome</b> IREDA's continued access to long-term debt financing from development assistances.</p>	<p>Development assistance accounts for at least 50% of IREDA's annual debt financing. (FY2013 baseline: 73%)</p>	<p>ADB project review reports.</p> <p>IREDA annual report and other project-specific reports.</p>	<p><b>Assumptions</b> The development assistance to IREDA is more competitive than at least some local financing options.</p> <p>Policy setting continuous to support renewable energy.</p>
<p><b>Outputs</b> 1. Improved project administration.</p>	<p>IREDA's meeting ADB annual project disbursement targets. (2014 baseline data: 0)</p> <p>IREDA's timely submission of required compliance reports including project review and monitoring reports and audit reports.</p> <p>IREDA's full compliance with the project ESMS.</p>	<p>ADB project review reports and other development partners' review reports.</p>	<p><b>Assumption</b> IREDA's extensive experience with development assistances ensures its strong capacity in project implementation.</p> <p><b>Risk</b> Favorable local financing condition reduces IREDA's need for development assistances and the associated compliance requirements.</p>
<p>2. Improved operations and management.</p>	<p>Return on asset improved by 7.2% annually. (2014 baseline: 1.6%)</p>	<p>ADB project review reports.</p>	<p><b>Assumptions</b> Policy setting continuous to support renewable energy.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>Return on equity improved by 4.5% annually. (2014 baseline: 5.9%)</p> <p>Gross NPL level below 3.9%. (2014 baseline: 3.9%)</p> <p>Liquidity coverage ratio above 2.0. (2014 baseline: 5.1)</p> <p>Capital to risk asset ratio above 15.0%. (2014 baseline: 22.7%)</p>	<p>IREDA annual report and other project-specific reports.</p> <p>RBI NBF1 examination reports.</p>	<p>Continued management competency.</p>
<p>3. A self-sustaining social and environment safeguard unit.</p>	<p>IREDA's established ESSU is maintained.</p> <p>Only IREDA full-time staff in the ESSU without any consultant resources from FY2016.</p> <p>IREDA's full compliance with the project ESMS.</p>	<p>IREDA monitoring and review reports.</p> <p>ADB project review reports.</p>	<p><b>Assumption</b> IREDA's continued demand for long-term capital from international assistance and therefore the need for associated safeguard compliances.</p>
<p><b>Activities with Milestones</b></p> <p><b>1. Improved project administration.</b></p> <p>1.1 Coordinate with all ongoing TA programs to dovetail the ADB CDTA to the overall IREDA capacity development program supported by development partners (by April 2015).</p> <p>1.2 Provide hands-on training on ADB project administration including withdrawal, liquidation, replenishment, and/or reimbursement (continuous).</p> <p>1.3 Conduct workshops on IREDA PMU on the understanding of ADB project implementation procedures, including FAM, ESMS, loans disbursement procedures, and procurement guidelines, among others (continuous).</p> <p>1.4 Provide hands-on training on timely preparation and submission of project audit reports (continuous).</p> <p>1.5 Provide hands-on training on timely preparation and submission of project review and monitoring reports (continuous).</p> <p><b>2. Improved operations and management.</b></p> <p>2.1 Coordinate with all ongoing TA programs to dovetail the ADB CDTA to the overall IREDA capacity development program supported by development partners (by April 2015).</p> <p>2.2 Provide advisory support and training to IREDA management on long-term corporate strategy evaluation, planning, formulation, and implementation</p>			<p><b>Inputs</b> ACEF: \$750,000 IREDA: \$250,000 Counterpart support in the form of counterpart staff, office space, transportation and accommodation (e.g., subproject site visits), support for workshop and conferences, office supplies, secretarial assistance, domestic transportation, and other in-kind contributions.</p>

<b>Activities with Milestones</b> (by December 2016).	<b>Inputs</b>
<p>2.3 Review and identify areas of deficiencies in IREDA’s financial management, risk management, credit process, internal control, information system, and other relevant operations areas (by December 2015)</p> <p>2.4 Provide training to IREDA on, among others, (i) reducing loan provision reviews from annual to quarterly basis, (ii) implementing liquidity gap reporting and interest rate risk gap reporting, (iii) separating credit and treasury functions, (iv) obtaining major credit rating agencies’ rating such as CRISIL and ICRA (by December 2015), and (v) adopting new Indian accounting standards when notified (when required) (by December 2015).</p> <p>2.5 Provide other operations and financial management training as identified deficient and not covered by development partners’ TA (continuous).</p> <p>2.6 Provide advisory and training on the enhancement of IREDA’s existing corporate-wide information technology system (by December 2017).</p> <p>2.7 Provide training on the development of an institution risk and market risk monitoring and review system (by December 2017).</p> <p>2.8 Provide training on any other relevant areas under the ADB responsibility of a joint donor assistance program, particularly those outlined in the ADB financial management assessment (continuous).</p>	
<p><b>3. A self-sustaining social and environment safeguard unit.</b></p>	
<p>3.1 Coordinate with all ongoing TA programs to dovetail the ADB CDTA to the overall IREDA capacity development program supported by development partners (by April 2015).</p>	
<p>3.2 Conduct extensive workshop training on ESSU and technical department staff on the ADB ESMS and SPS 2009 (continuous).</p>	
<p>3.3 Provide environment and social safeguard training on ESSU staff/consultants and technical department staff through hands-on training on how to implement the ESMS. This includes continuous exercises on the preparation of subproject due diligence, checklisting, categorization, compliance, monitoring, and reporting (by December 2017).</p>	
<p>3.4 Provide hands-on training on the design and creation of an IREDA website portal on the environment and social management framework (by December 2016).</p>	
<p>3.5 Establish a comprehensive environment and social management framework and operations manual and provide training on relevant staff (by December 2017).</p>	

ADB = Asian Development Bank; CO<sub>2</sub> = carbon dioxide; EIA = environmental impact assessment; EMP = environmental management plan; ESMS = Environmental and Social Management System; ESSU = environment and social safeguard unit; FAM = facility administration manual; IPP = indigenous peoples plan; IREDA = Indian Renewable Energy Development Agency; MFF = multitranches financing facility; NBFIs = nonbank financial institutions; NPL = nonperforming loan; PMU = project management unit; RBI = Reserve Bank of India; RP = resettlement plan.

<sup>A</sup> This is based on a 70%/30% debt equity ratio and \$1 billion total subproject costs funded under the Facility (including subborrower equity and additional financing).

<sup>B</sup> The 990 MW figure is based on a near-term historical and pipeline average cost per subproject and MW capacity per subproject, such that the \$500 million ADB facility plus subborrower equity and additional financing is estimated to fund at least 50 subprojects totaling about 990 MW. This figure includes bagasse cogeneration facilities. Electricity generation calculations assume the 990 MW consists of 20% wind, 13% solar, 33% hydropower, and 25% cogeneration. Capacity factors for wind, solar, hydropower, and cogeneration of 0.3, 0.1, 0.45, and 0.7, respectively.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Individual Consultants

#### 1. Strategy Consultant and Team Leader (1 international, 6 person-months, intermittent)

1. The strategy consultant should have extensive experience in working at a world class financial institution in infrastructure finance. Dedicated knowledge in renewable energy is a must. The candidate should have at least a university degree and a minimum of 10 years of relevant experience. The strategy consultant shall help IREDA map out its long-term institutional development objective, particularly in strategy, management, and operations. The objective is to help IREDA (i) improve its operational performance over the long-term, (ii) meet international best practices in renewable energy finance, (iii) fulfill project implementation and compliance requirements from international lenders, and (iv) provide the relevant training. The scope of work is to provide strategic advisory and training to IREDA and leadership to the other consultants.

- (i) Familiarize with IREDA's operations and ongoing assistances, including technical assistance (TA) supports from development partners.
- (ii) Review the current IREDA corporate plan and validate the SWOT analysis, with a focus on market conditions, government incentives, product offering mixtures, and resources mobilization, among others.
- (iii) Examine IREDA's operational deficiencies in complying with the requirements from international lenders in project administration, operations and management, and social and environment safeguard.
- (iv) Consult with IREDA management to map out a comprehensive, detailed work plan over the CDTA implementation period by aligning (a) the ADB assistance priorities to the institution development priorities and (b) the ADB assistance to the ongoing development assistances provided by other development partners, without any duplication of efforts.
- (v) Develop an associated training program to address the identified areas of deficiencies. This includes hands-on training, conferences, workshops, and the provisions of external training opportunities including those from ADB.
- (vi) Provide advisory support and training to IREDA management on long-term corporate strategy evaluation, planning, formulation, and implementation. Focus areas may include product innovation, new advisory services (to subborrowers), improved resource management, and better financial and risk management.
- (vii) Provide strong leadership in managing the consultant team and ensure timely completion of CDTA action milestones and output qualities.

#### 2. Financial Management Consultant (1 international, 6 person-months, intermittent)

2. The financial management consultant should have extensive experiences in a banking or nonbank financial institution in lending, risk management, internal control/audit, or other relevant areas. Dedicated sector knowledge in infrastructure and project finance is a must and in renewable energy is preferred. The candidate should have at least a university degree and a minimum of 10 years of relevant experience in banking and/or consulting. The objective is to help IREDA improve its financial and operational risk management so as to optimize IREDA's financial performance. The scope of work is to help IREDA achieve international best practice in

financial and risk management and fulfil the various operational measures required by international lenders.

- (i) Familiarize with IREDA's operations and ongoing assistances, including TA supports from development partners.
- (ii) Work with the team leader to map out a comprehensive, detailed work plan over the CDTA implementation period by aligning the ADB assistance with the ongoing development assistances provided by development partners, without any duplication of efforts.
- (iii) Analyze IREDA's key financial indicators including drivers for profitability, funding guidelines, provision and recovery policies, asset and liability management, liquidity management, internal control and audit, capital adequacy, and financial reporting standards, among others.
- (iv) Work with the team leader to develop a comprehensive training program on financial and risk management to cope with the rising institutional development needs. This includes hands-on training, conferences, workshops, and the provisions of external training opportunities including those from ADB.
- (v) Provide training to IREDA on, among others, loan provision review, liquidity gap reporting, interest rate gap reporting, separation of credit and treasury functions, and other financial risk monitoring mechanisms, on a continuous basis.
- (vi) Provide long-term strategy support and associated training on management and finance/accounts staff to obtain major credit ratings from agencies such as CRISIL or ICRA.
- (vii) Provide training on adopting the new Indian accounting standards, when introduced.
- (viii) Develop a new or enhance the current financial and risk management information system by coordinating with other ongoing assistances from development partners.
- (ix) Provide training on areas of IREDA's financial management deficiencies in managing, administering, and complying with the requirements from international lenders particularly development partners, such as outlined in the ADB financial management assessment.
- (x) Outline and report on any deficiencies in meeting other general international best practices in financial risk management and provide the relevant training.

**3. Project Administration Consultant (1 national, 6 person-months, intermittent)**

3. The consultant should be highly experienced with ADB's project administration guidelines of withdrawal, liquidation, replenishment, and/or reimbursement and preparation of required monitoring/review reports and audit reports. Experiences with the project administration guidelines of other development partners such as JICA, KfW, and World Bank are preferred. The candidate should have at least a university degree and a minimum of 3 years of direct ADB project administration experience. The consultant will be based in IREDA headquarter. The objective is to build strong project administration capacity in IREDA to efficiently implement the ADB project. The scope of work is to establish a long-term project implementation capacity to enable IREDA to undertake any development assistance projects. The focus should be on skill and knowledge transfer.

- (i) Familiarize with IREDA's operations and ongoing assistances, including TA supports from development partners.

- (ii) Familiarize with ADB project documents, particularly facility administration manual (FAM), environment and social management system (ESMS), framework financing agreement, loan agreement, and guarantee agreement.
- (iii) Work with the team leader to map out a comprehensive, detailed work plan over the CDTA implementation period by aligning the ADB assistance with the ongoing development assistances provided by development partners, without any duplication of efforts.
- (iv) Familiarize IREDA with the ADB project implementation procedures and terminologies, particularly those pertaining to financial intermediation loans, such as statement of expenditures, free limits, and imprest accounts, and the preparations of withdrawal application, liquidation, replenishment, and/or reimbursement by using the appropriate forms.
- (v) Provide hands-on training on the preparation of withdrawal application, liquidation of incurred expenditures, replenishment of additional funds, preparation of imprest account reconciliation statements, submission of project and institution audit statements, and development of project monitoring and review reports.
- (vi) Provide training to IREDA project management unit on all ADB MFF and CDTA-related implementation procedures, such as by conducting workshops on the understanding ADB guidelines of (a) FAM, (b) Loan Disbursement Handbook, (c) Procurement Guidelines, (d) Guidelines on the Use of Consultants, and (e) ESMS, among others.
- (vii) Provide hands-on training on timely preparation and submission of project audit reports and project review and monitoring reports.
- (viii) Organize all available external training opportunity of ADB hosted training events to concerned IREDA staff.
- (ix) Coordinate with development partners on the provision of additional tailored project administration training on their respective procedures (funded by other development partners outside the scope of this TA).

**4. Environment Safeguard Consultant (1 national, 18 person-months, intermittent)**

3. The consultant should be highly experienced with ADB's environment safeguard guidelines. The candidate should have at least a university degree and a minimum of 5 years of relevant work experience in implementing environment safeguard work in development projects. The consultant will be based in IREDA in Delhi. The objective is to build adequate environment safeguard capacity in IREDA to provide compliances with the implementation requirements from ADB and other development partners. The scope of work is to establish a sound and sustainable environment safeguard system so that IREDA is able to permanently institutionalize such a safeguard function. The focus should be on skill and knowledge transfer.

- (i) Familiarize with IREDA's operations and ongoing assistances, including TA supports from development partners.
- (ii) Familiarize with IREDA's operations and the details of the ADB project, particularly the developed environment and social management system (ESMS), as guided by the ADB Safeguard Policy Statement (SPS) 2009.
- (iii) Work with the team leader to map out a comprehensive, detailed work plan on implementing the ESMS, as guided by SPS 2009, with a focus on environmental assessment procedures for financial intermediation loans.
- (iv) Review IREDA's ongoing ADB-supported consultancy work on environment safeguard and provide added assistance to ensure continuity.

- (v) Help IREDA exercise extensively on the development of environment impact assessment and the environment management plan.
- (vi) Review and strengthen ongoing environment safeguard compliance with the relevant Indian national, state, and other laws and regulations.
- (vii) Follow the developed ESMS workflow and work closely with the IREDA environment specialist and relevant technical department staff to incorporate the ESMS into the IREDA's subproject review and approval process. The additional steps include subproject environment safeguard review, screening, due diligence, categorization, approval, and monitoring. Work closely with ESSU staff to develop templates as required in accordance with ESMS.
- (viii) Revise the ADB ESMS procedures when gap exists and fine-tune the subproject review, due diligence, categorization, compliance, and monitoring and reporting process and relevant templates, if needed.
- (ix) Design and implement a detailed capacity development program, including ADB safeguard workshops, lecturers, coaching, hands-on training, twinning arrangement, etc. on both ESSU staff and relevant technical services department staff to ensure proper knowledge and skill transfer.
- (x) Provide hands-on training on the design and creation of an IREDA website portal on the environment framework.
- (xi) Develop a permanent institutional (environment safeguard) operations manual or guideline.

#### **5. Social Safeguard Consultant (1 national, 18 person-months, intermittent)**

4. The consultant should be highly experienced with ADB's social safeguard guidelines. The candidate should have at least a university degree and a minimum of 5 years of relevant work experience in implementing social safeguard work in development projects. The consultant will be based in IREDA in Delhi. The objective is to build adequate social safeguard capacity in IREDA to provide compliances with the implementation requirements from ADB and other development partners. The scope of work is to establish a sound and sustainable social safeguard system so that IREDA is able to permanently institutionalize such a safeguard function. The focus should be on skill and knowledge transfer.

- (i) Familiarize with IREDA's operations and ongoing assistances, including TA supports from development partners.
- (ii) Familiarize with IREDA's operations and the details of the ADB project, particularly the developed environment and social management system (ESMS), as guided by the ADB Safeguard Policy Statement (SPS) 2009.
- (iii) Work with the team leader to map out a comprehensive, detailed work plan on implementing the ESMS, as guided by SPS 2009, with a focus on social assessment procedures for financial intermediation loans.
- (iv) Review IREDA's ongoing ADB-supported consultancy work on social safeguard and provide added assistance to ensure continuity.
- (v) Help IREDA exercise extensively on the treatment of social safeguard involuntary resettlement (IR) and indigenous people (IP), including the development of involuntary resettlement plan (IRP) and indigenous peoples plan (IPP).
- (vi) Review and strengthen ongoing social safeguard compliance with the relevant Indian national, state, and other laws and regulations.
- (vii) Follow the developed ESMS workflow and work closely with the IREDA social safeguard specialist and relevant technical department staff to incorporate the ESMS into the IREDA's subproject review and approval process. The additional steps include subproject social safeguard review, screening, due diligence,

- categorization, approval, and monitoring. Work closely with ESSU staff to develop templates as required in accordance with ESMS.
- (viii) Revise the ADB ESMS procedures when gap exists and fine-tune the subproject review, due diligence, categorization, compliance, and monitoring and reporting process and relevant templates, if needed.
  - (ix) Improve the facility's compliance with ADB gender mainstreaming requirement (as to be determined) and international and local labor standards, if appropriate.
  - (x) Design and implement a detailed capacity development program, including ADB safeguard workshops, lecturers, coaching, hands-on training, twinning arrangement, etc. on both ESSU staff and relevant technical services department staff to ensure proper knowledge and skill transfer.
  - (xi) Provide hands-on training on the design and creation of an IREDA website portal on the social safeguard management framework.
  - (xii) Develop a permanent institutional (social safeguard) operations manual or guideline.