

Periodic Financing Request Report

Project Number: 47083-003 MFF Number: 0077 October 2015

India: Accelerating Infrastructure Investment Facility in India (Tranche 2)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 19 October 2015)

Currency Unit	-	Indian rupee/s (Re/Rs)
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Re1.00	=	\$0.01545
\$1.00	=	Rs64.70860

ABBREVIATIONS

ADB AIIFI CRISIL	_ _ _	Asian Development Bank Accelerating Infrastructure Investment Facility in India Credit Rating Information Services of India Ltd. Risk
		Infrastructure Solutions Limited
ESMU	—	environment and social safeguards management unit
ESSF	_	environment and social safeguards framework
FFA	_	framework financing agreement
IIFCL	_	India Infrastructure Finance Company Limited
IIPFF	_	India Infrastructure Project Financing Facility
IRMF	_	Integrated risk management framework
LIBOR	_	London interbank offered rate
MFF	_	multitranche financing facility
PA	_	per annum
PAM	_	project administration manual
PMU	_	portfolio management unit
PPP	-	public-private partnership

NOTES

- (i) The fiscal year (FY) of the Government of India and India Infrastructure Finance Company Limited ends on 31 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2014 ends on 31 March 2014.
- (ii) In this report, "\$" refers to US dollars.

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Project Classification Information Status: Complete

TRANCHE	AT A	GLA	NCE
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1.	Basic Data			Project Number	er: 47083-003
	Project Name	Accelerating Infrastructure Investment Facility in India - Tranche 2	Department /Division	SARD/SAPF	
	Country	India	Executing Agency	India Infrastructure	Finance
	Borrower	India Infrastructure Finance Company Limited Guarantor: Government of India		Company Limited	
2.	Sector	Subsector(s)	•	ADB Financing	(\$ million)
1	Finance	Infrastructure finance and investment funds			300.00
				Total	300.00
3.	Strategic Agenda	Subcomponents	Climate Change Inf	ormation	
	Inclusive economic growth (IEG)	Pillar 1: Économic opportunities, including jobs, created and expanded	Climate Change im Project	pact on the	Medium
4.	Drivers of Change	Components	Gender Equity and	Mainstreaming	
	Knowledge solutions (KNS) Private sector development (PSD)	Pilot-testing innovation and learning Promotion of private sector investment Public sector goods and services essential for private sector development	No gender elements		1
5.	Poverty Targeting		Location Impact		
	Project directly targets poverty	No	Nation-wide		High
6.	Risk Categorization:	Complex	l,		
7.	Safeguard Categorizat	ion Environment: FI Involuntary Resettlement	t: Fl Indigenous Peo	ples: FI	
8.	Financing				
	Modality and Sources		Amount (\$ m	illion)	
	ADB		300.00		
	Sovereign MFF-Tranche (Loan): Ordinary capital resources		300.00		
	Cofinancing		0.00		
	None		0.00		
	Counterpart		0.00		
	None		0.00		
		Total		300.00	
9.	Effective Development	Cooperation			
	Use of country procurem	nent systems	No		
		ancial management systems			

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TRANCHE AT A GLANCE

	Date of Receipt by ADB of PFF	R: 30 June 2015	Tranche Number: 2	
10.	Country Operations Busines	s Plan		
	CPS	http Z	//www.adb.org/documents/india-country-partner	ship-strategy-2013-201
	COBP	<u>http</u> -20 ⁻	//www.adb.org/documents/india-country-operati Z	ons-business-plan-2015
11.	Tranche Summary			
	includes a pilot project that ex	tends lending in local curren	the Accelerating Infrastructure Investment Fa cy using offshore rupee-linked bonds. As such, nt without incurring foreign exchange risk.	
	Impact and Outcome: The i outcome will be Private sector		n infrastructure increased (Twelfth Five-Year PPPs facilitated.	Plan, 2012-?2017) The
	Outputs: (i)Availability of long-	term finance for PPP subpro	ects enhanced, and (ii)Operational capacity of	IFCL improved
	Implementation Arrangemen	ts: India Infrastructure Finan	e Company Limited will be the executing agence	y.
	under Tranche 2, of which 13 financing, with estimated total	3 subprojects are under dir cost of Rs81.28 billion (\$1.3	on of Tranche 1, IIFCL submitted 28 indicative act lending to greenfield projects and 15 sub billion) and Rs60.92 billion (\$0.98 billion), resp er undertakings in relation to Tranche 1.	projects are for takeout
12.	disbursed around \$256 million quarter of 2016, ahead of the closing India's infrastructure d	400 million was approved ir or 64% of the tranche amou e tranche completion date o leficit by funding: (i) 7 green	ches October 2013 and became effective in Febru ht into 13 PPP subprojects and is expected to b i 31 December 2016. The strong disburseme field road subprojects; (ii) 1 transmission subj nternational airport in Hyderabad).	e fully drawn by the first nts have contributed to
13.	Milestones			
	Estimated Approval 31 October 2015	Estimated Effective 31 March 2016	ess Estimated Completion ^a 31 March 2019	
14.	Linked Documents			
			Required Document	Disclosure Date
	(i) Environment			
	Weblink:			
	(ii) Involuntary resettlement			
	Weblink:			
	(iii) Indigenous peoples			
	Weblink:			

^a For Tranches, this refers to the financial closing date.

I. BACKGROUND

1. The Accelerating Infrastructure Investment Facility in India (AIIFI) is a \$700-million multitranche financing facility (MFF) to the India Infrastructure Finance Company Limited (IIFCL). It supports the Government of India in accelerating infrastructure growth through the facilitation of increased private sector investment in public–private partnership (PPP) infrastructure under the Twelfth Five Year Plan, 2012–2017.¹ According to the plan, India needs to mobilize about \$500 billion in private funding to meet its \$1 trillion infrastructure financing requirements. The facility is an integral part of the Asian Development Bank (ADB) strategy for infrastructure finance in India, and complements parallel initiatives in PPP and capital markets—all of which contribute to creating an enabling environment for long-term financing for infrastructure development.²

2. The government, ADB, and IIFCL signed a framework financing agreement (FFA) in August 2013 for the facility. ADB approved the facility in October 2013.³ The loan agreement with IIFCL for the first tranche of \$400 million, and related guarantee agreement with the government, were signed in January 2014 and became effective in February 2014. The last date on which any disbursement under any tranche may be made is 31 March 2019.

3. The government and IIFCL submitted a periodic financing request dated 25 June 2015 in the amount of \$300 million equivalent, requesting ADB to approve the second and final tranche of AIIFI (Appendix 4) from ADB's ordinary capital resources to help finance eligible subprojects. As an innovative funding source for tranche 2, ADB will pilot the disbursement of tranche 2 in local currency (i.e., Indian rupees) using offshore Indian rupee linked bonds ("Indian rupee linker bonds"), which are denominated in Indian rupees but settled in US dollars.⁴ The proceeds will be onlent to IIFCL to fund eligible subprojects.

4. This report has been prepared to provide ADB Management with the project team's assessment of the MFF implementation and recommendations for funding under tranche 2.5^{5}

II. ASSESSMENT OF IMPLEMENTATION

5. ADB has approved three MFFs to IIFCL: (i) the India Infrastructure Project Financing Facility (IIPFF I) for \$500 million;⁶ (ii) the Second India Infrastructure Project Financing Facility (IIPFF II) for \$700 million;⁷ and (iii) AIIFI for \$700 million—totaling \$1.9 billion.

6. **Performance of the first and second India Infrastructure Project Financing Facilities.** The IIPFF I (comprising two tranches) was approved in 2007, less than 2 years after the establishment of IIFCL. It was the first MFF loan to a state-owned financial intermediary

¹ Government of India, Planning Commission. 2013. *Twelfth Five Year Plan (2012–2017)*. New Delhi.

² Eligible subprojects under the facility are those meeting the requirements of the government's Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called the India Infrastructure Finance Company Limited, issued on 4 January 2006 and amended as of 30 March 2015 (SIFTI), and Take-out Finance Scheme for Financing Viable Infrastructure Projects, effective 16 April 2010 and amended as of 27 January 2015 (TFS). Refer to http://www.iifcl.org/Content/schemeproducts.aspx.

³ ADB. 2013. Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to India for the Accelerating Infrastructure Investment Facility in India. Manila.

⁴ The loan will be ADB's second local currency-funded sovereign loan. Compare ADB. 2010. Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to the Republic of Kazakhstan for the Small and Medium Enterprise Investment Program. Manila.

⁵ The design and monitoring framework for tranche 2 is in Appendix 1.

⁶ ADB. 2007. Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to India for the India Infrastructure Project Financing Facility. Manila.

⁷ ADB. 2009. Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to India for the Second India Infrastructure Project Financing Facility. Manila.

designed to leverage ADB resources for a wide range of projects across sectors in a programmatic manner as opposed to the conventional approach of financing individual projects separately. A \$500,000 technical assistance project, attached to the first loan, trained IIFCL staff in risk assessment, management, and mitigation. Closely aligned with the development goals and infrastructure investment targets in the government's Eleventh Five Year Plan, 2007-2012,8 ADB approved a second MFF, the IIPFF II (comprising three tranches), in 2009 to fund IIFCL's robust pipeline of PPP subprojects. The IIPFF II was implemented when liquidity in international capital markets was tight and investors' interest in long-term debt instruments was low. ADB's financial intermediation loan to IIFCL supported (and continues to support) infrastructure projects reaching financial closure.

Both the IIPFF I and II were fully disbursed well ahead of their original completion dates. 7. Together, they funded 50 PPP infrastructure subprojects, including major international airports in Delhi and Mumbai. Among those projects, two were categorized as nonperforming and one was restructured because of financial distress.⁹ IIFCL is estimated to have catalyzed private sector investment of \$5.2 billion under the IIPFF I and \$9.5 billion under the IIPFF II for PPP subprojects. This means that for every \$1 of ADB investment in subprojects, IIFCL mobilized \$11 from the market under the IIPFF I and \$13 under the IIPFF II—demonstrating the significant ability of this financing initiative to leverage resources. The IIPFF I and II are part of ADB's extensive support for infrastructure development through PPPs. Overall, the IIPFF I and II were rated *successful*.¹⁰

IFCL's safeguard capacity improved from its initial years of financing PPP projects. 8. having received substantial support and capacity building from ADB and other multilateral institutions in developing its environmental and social safeguards framework (ESSF)¹¹ and establishing an environmental and social safeguard management unit (ESMU). The ESMU monitored compliance with (i) the environmental and social safeguards prescribed by ADB and other development partners, and (ii) environmental impact assessment procedures and other government laws and policies throughout the project cycle. The extensive support provided by ADB and the World Bank has considerably improved IIFCL's safeguard capacity, leading to (i) the adoption and re-disclosure of IIFCL of an enhanced ESSF in its company website in 2010 (as one of the conditions precedent in the loan agreement for the IIPFF II) and again updated in 2013:¹² (ii) the training and awareness programs for stakeholders on the environmental and social aspects of PPP-based infrastructure projects; and (iii) mainstreaming of the ESSF into IIFCL's credit review process and post-approval monitoring of subprojects.

Performance of the Accelerating Infrastructure Investment Facility in India 9. Tranche 1. Following the success of the earlier facilities, the government sought a third MFF for \$700 million to help accelerate infrastructure investment. The third MFF, AIIFI, was approved in 2013 and consists of two tranches—tranche 1 for \$400 million and tranche 2 for \$300 million.

Disbursements. Tranche 1 (footnote 3) has already disbursed 64% of the loan amount 10. (about \$256 million) to 13 PPP subprojects and is expected to be fully drawn by the first quarter

⁸ Government of India, Planning Commission. 2008. *Eleventh Five Year Plan (2007–2012)*. New Delhi.

⁹ Two road subprojects turned into non-performing accounts due mostly to delays in obtaining necessary government approvals (rail-over-bridge approval) to commence tolling. Subject to satisfactory track record of payments for the period of 12 months, NPA account can be upgraded to a standard asset category. ¹⁰ ADB. 2012. Completion Report: India Infrastructure Project Financing Facility. Manila; ADB. 2014. Completion

Report: Second India Infrastructure Project Financing Facility. Manila.

¹¹ IFCL. Environmental and Social Safeguards Framework. http://www.iifcl.org/Content/ESMU.aspx

¹² IIFCL updated its 2008 ESSF in October 2010 to reflect the changes made in ADB's Safeguard Policy Statement (2009). The 2013 update incorporated changes in the national safeguard policies to align it with requirements of other development partners. IIFCL uploaded the revised ESSF to its website in July 2013.

of 2016, ahead of the tranche completion date of 31 December 2016. Disbursements under tranche 1 have addressed important constraints in both infrastructure and infrastructure finance having contributed to reducing India's infrastructure deficit by funding (i) seven greenfield road subprojects with other consortium lenders; (ii) one transmission subproject; and (iii) take-out financing of five subprojects (i.e., two state roads, two solar projects, and the international airport in Hyderabad). Take-out financing was a new addition to this MFF. IIFCL introduced the product in 2010 to help banks (i) reduce their increasing exposure concentrations; (ii) reduce asset–liability mismatches between their short-term deposits and long-term loans for infrastructure projects; and (iii) free up funds to finance new projects and, hence, effective recycle bank capital.

11. **Reporting and loan covenants.** IIFCL has substantially complied with ADB loan covenants and other undertakings in relation to tranche 1.¹³ It has also satisfactorily disclosed all information pertaining to its financial accounts, ESSF and environmental and social due diligence reports, and changes of the company's operations and policies, among others, on the company's website. However, IIFCL has yet to complete the implementation of an integrated management information system. IIFCL has largely completed the transition to automated systems, but the systems are not fully integrated. IIFCL is retaining a new vendor to effect integration, and has retained a third party to plan and supervise the vendor's work. The related covenant in the tranche 1 loan agreement has been waived, but the integration has been covenanted in the tranche 2 loan agreement to be completed within 12 months of effectiveness.

12. **Performance of ADB.** ADB's financial intermediation loans to IIFCL are aligned with ADB's India country partnership strategy, 2013–2017 in supporting the role of financial intermediaries, introducing financial structures that encourage private sector participation in challenging sectors, providing long-term funding for infrastructure projects, and supporting the PPP modality.¹⁴ Table 1 is a summary of ADB MFF investment programs to IIFCL.

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	Tranche		Disbursement	
MFF	(Date of Approval)	Tranche Amount	(Date of Completion)	
IIPFF I	Tranche 1 (20 Dec 2007)	\$300 million	Fully disbursed (15 Jan 2010)	
	Tranche 2 (24 Feb 2009)	\$200 million	Fully disbursed (26 Aug 2011)	
Subtotal	30 PPP projects	\$500 million	Fully disbursed (26 Aug 2011)	
IIPFF II	Tranche 1 (27 Nov 2009)	\$210 million	Fully disbursed (14 Sep 2011)	
	Tranche 2 (7 Dec 2010)	\$250 million	Fully disbursed (23 Oct 2012)	
	Tranche 3 (1 Dec 2011)	\$240 million	Fully disbursed (14 May 2014)	
Subtotal	20 PPP projects	\$700 million	Fully disbursed (14 May 2014)	
Total	50 PPP projects	\$1.2 billion	Fund mobilization ratio > 12 times	
AIIFI	Tranche 1 (21 Oct 2013)	\$400 million	Partial: \$256million (ongoing)	
	Tranche 2	\$300 million	No disbursement as yet	
	(under processing for approval)		(31 March 2019)	
Subtotal	13 PPP projects	\$700 million		
Total	63 PPP projects	\$1.9 billion		

Table 1: ADB Multitranche Financing Facility Investment Programs with
India Infrastructure Finance Company Limited

ADB = Asian Development Bank, AIIFI = Accelerating Infrastructure Investment Facility in India, IIPFF = India Infrastructure Project Financing Facility, MFF = multitranche financing facility, PPP = public–private partnership. Source: Asian Development Bank.

13. ADB has also completed several initiatives with IIFCL that can be characterized as finance++. IIPFF I and IIPFF II focused on (i) designing a harmonized ESSF to ensure that ADB

¹³ The compliance review matrix of legal, environmental, and social safeguards of the facility is in the Periodic Financing Request from the Government for Tranche 2 (Appendix 4, Annex 3).

¹⁴ ADB. 2013. Country Partnership Strategy: India, 2013–2017. Manila.

resources flow only to subprojects that are compliant with national and ADB safeguard norms for financial intermediary projects; and (ii) strengthening IIFCL's safeguard staffing. Separate from the sovereign lending facilities, ADB has also partnered with IIFCL to develop a partial credit guarantee product under its non-sovereign operations that allows infrastructure projects to issue credit enhanced bonds to institutional investors.¹⁵

14. AIIFI's finance++ elements focused on IIFCL's risk and financial management. Under tranche 1, IIFCL committed to (i) implementing specific improvements to its risk management systems as per recommendations stipulated in its 'Integrated Risk Management System Project' by June 2016,¹⁶ (ii) introducing quarterly risk management reporting, and (iii) introducing an automated and integrated management information system. ADB has retained an independent third party to monitor IIFCL's progress, and during tranche 1, IIFCL has implemented the risk management reporting and is making steady improvements to its risk management systems. However, IIFCL's transition to an automated and integrated management information system is delayed until 2016.

III. PERIODIC FINANCING REQUEST

A. Impact and Outcome

15. The impact will be increased investments in infrastructure aligned with the Twelfth Five Year Plan. The outcome will facilitate private sector investment in infrastructure PPPs.

B. Outputs

16. The outputs will be (i) availability of long-term finance for PPP subprojects enhanced and (ii) operational capacity of IIFCL improved.

C. Investment and Financing Plans

17. As of the end of March 2015, IIFCL had a pipeline of 402 sanctioned subprojects with a total project cost of Rs6.6 trillion (\$106.5 billion), of which IIFCL's financing is estimated to fund Rs732.3 billion (\$11.8 billion). From this total, IIFCL expects to disburse \$4.8 billion by FY2018. Based on current projections, IIFCL will fully draw tranche 2 by FY2018 (Table 2), which will contribute about 6.2% to IIFCL's overall funding requirements during this period.¹⁷

¹⁵ In 2012, ADB approved a Credit Enhancement of Project Bonds Facility to IIFCL. On a pilot basis, ADB will provide a backstop guarantee of up to 50% of IIFCL underlying first loss guarantee exposure to issuers of infrastructure project bonds in order to raise their domestic credit rating to AA. ADB. 2012. Report and Recommendation of the President to the Board of Directors: Proposed Guarantee Facility for Credit Enhancement of Project Bonds. Manila (Gu7360-IND, approved on 20 September for \$128 million).

¹⁶ In 2012, IIFCL developed an internal credit risk policy framework (IRMF) based on the credit risk management system initially developed by Credit Rating Information Services of India Ltd. Risk Infrastructure Solutions Limited (CRISIL) supported under TA7030-IND. To further improve risk management, practices, IIFCL also worked alongside Deloitte (India) in finalizing the integrated risk management framework (IRMF), under TA support provided by the World Bank to further strengthen IIFCL's credit, operations, and market risk management of IIFCL. Deloitte completed an advisory engagement in 2013 that reviewed IIFCL's risk management. Tranche 1 included a loan covenant for the implementation of Deloitte's recommendations by 30 June 2016.

¹⁷ The tranche 2 availability period extends to 31 March 2019. IIFCL projects that it can disburse tranche 2 well ahead of this target completion date.

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	300	6.2
Ordinary capital resources (loan) ^a		
Local market borrowings ^b	4,030	83.3
Foreign borrowings ^c	509	10.5
Total	4,839	100.0

^a Disbursements to be on the terms outlined in Table 3, as supplemented by a pricing notice, and such other terms and conditions set forth in the draft loan agreement.

^b Funds that IIFCL will raise from the domestic market, including insurance and pension funds, and the national savings scheme.

^c Foreign borrowings include bilateral and multilateral sources other than tranche 2 and funds that IIFCL will raise from international capital markets.

Source: Asian Development Bank staff estimates and India Infrastructure Finance Company Limited.

18. **New funding source for tranche 2—offshore Indian rupee linker bonds.** Following the approval of local currency loans in September 2014,¹⁸ ADB will pilot a new modality to fund withdrawal requests under Tranche 2 in Indian rupees using Indian rupee linker bonds.¹⁹ Under such a modality and upon receiving an application requesting withdrawal in Indian rupees, ADB will (i) issue an offshore bond that is denominated in Indian rupees but settled in US dollars, (ii) bring the US dollar proceeds onshore and convert them to Indian rupees in the domestic spot exchange market,²⁰ and (iii) make an advance disbursement in Indian rupees to IIFCL.²¹ On interest payment dates and at loan maturity, IIFCL will repay ADB in Indian rupees and ADB will (i) convert the Indian rupees to US dollars in the domestic spot exchange market, (ii) take the US dollar proceeds offshore, and (iii) pay the bond investors.²² The US dollar amounts paid to bond investors will be tied to fluctuations in the US dollar–Indian rupee spot exchange rate. Therefore, the facility will effectively source foreign investments, as opposed to ADB's own resources, to fund India's infrastructure development; and the currency risk will be borne by investors, who will obtain the benefit of asset diversification and higher yields.

19. Withdrawals under tranche 2 will be made in Indian rupees or US dollars on the terms outlined in Table 3 and on such other terms and conditions as set forth in the loan agreement. Withdrawal request made under the terms of an Indian rupee linker bond will be at least \$50 million equivalent and not exceed IIFCL's estimated expenditure for eligible subprojects during the next 18 months. Withdrawal request in US dollars made under the terms of ADB's London interbank offered rate (LIBOR)-based lending facility will be at least \$100,000. However, the timing and amount of any ADB issuances of Indian rupee linker bonds for Tranche 2 will depend, among others, on IIFCL's cash flow requirements, investor demand, market conditions and regulatory approvals (footnote 18). Table 3 compares the key terms of the two funding sources.

¹⁸ ADB. 2014. *Review of the Asian Development Bank's Local Currency Operations*. Manila.

¹⁹ ADB has the necessary approval to issue up to \$500 million of offshore Indian rupee linked bonds until 12 May 2016. As such, ADB will require extension of the approval date from the government should IIFCL request Indian rupee withdrawals beyond that date.

²⁰ Foreign exchange slippage cost resulting from intra-day trading, i.e., the conversion difference between the Indian rupee amount request in IIFCL's withdrawal application and the actual Indian rupee amount converted in the onshore market will be charged to the borrower and will be included in the billing for the next interest period.

²¹ For Indian rupee withdrawals, ADB will disburse advance funding to IIFCL within its general liquidity pool to avoid a negative carry (i.e., the borrowing cost of ADB's loan exceeds the interest rate on savings generated). In the event IIFCL has not used funds advanced from an Indian rupee linker bond within 18 months, ADB may request the immediate return of any undisbursed advanced funds, including corresponding costs arising from such an event, following a 180-day grace period. ADB will process any such return following Section 10.22 of its Loan Disbursement Handbook (2015, as amended from time to time).

²² Should the Indian rupee interest or principal amount, when converted, result in a US dollar amount that is less than ADB's liability under the Indian rupee linker bond, IIFCL will be liable for such difference.

	Minimum Disbursement	Interest Rate	Maturity	Repayment Profile
Indian rupee linker bonds	\$50 million equivalent	Indian rupee linker bonds cost of funding +0.50% p.a. sovereign spread	5–7 years	Lump sum at bond maturity
LIBOR-based lending facility	\$100,000	LIBOR +0.50% p.a. sovereign spread ± rebates or surcharge, if any	19.5 years	4-year grace period followed by 31 semiannual installments (using annuity based on 5% discount rate)

 Table 3: Comparison of Indian Rupee Linker Bonds and

 London Interbank Offered Rate-Based Lending Facility

LIBOR = London interbank offered rate, p.a. = per annum.

Note: A commitment fee of 0.15% p.a. (payable in US dollars) will apply on the undisbursed loan amount and payable semiannually.

Source: Asian Development Bank.

20. If proven effective as a funding option, the use of the Indian rupee linker bond may pave the way for local currency bonds to be used to fund projects in India and elsewhere. This will have important benefits for Indian capital markets, including (i) bringing liquidity and depth to the offshore Indian rupee market, (ii) providing an alternative source of funding for Indian companies, (iii) encouraging other issuers to the offshore markets, and (iv) supporting the internationalization of the Indian rupee.

21. IIFCL has provided ADB with (i) the reasons for its decision to borrow under ADB and local currency- and LIBOR-based lending facilities based on these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

D. Implementation Arrangements

22. The implementation arrangements are summarized in Table 4 and described in detail in the project administration manual (PAM).²³

Aspects Arrangements				
Arrangements				
January 2016–March 2019				
31 March 2019				
IIFCL				
IIFCL				
Project management unit				
All goods and works to be financed under tranche 2 will be procured in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).				
ADB may, subject to its policies and procedures, permit on request retroactive financing of eligible expenditures for the tranche up to 20% of the loan amount, incurred prior to loan effectiveness but not earlier than 12 months before the signing of the tranche's loan agreement.				
The tranche proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) except Sections 10.12 and 10.13.				

Table 4: Implementation Arrangements

ADB = Asian Development Bank, IIFCL = India Infrastructure Finance Company Limited.

Source: India Infrastructure Finance Company Limited.

²³ Project Administration Manual for Tranche 2 (Available in list of linked documents in Appendix 6, Annex 3).

23. At AIIFI's origination, ADB approved a free limit of up to \$30 million for qualified greenfield subprojects under the direct lending scheme. Under the Facility (footnote 3), it is noted that ADB would consider extending the free limit to IIFCL's take-out finance scheme for the second tranche based on ADB's assessment of IIFCL's operating performance, appraisal standards, portfolio quality, and average loan size on take-out finance during tranche 1 (footnote 1). Based on a satisfactory review of these factors, it is proposed that tranche 2 will extend the \$30 million free limit to take-out finance projects in tranche 2.

24. The government's scheme for financing viable infrastructure projects through a special purpose vehicle called the India Infrastructure Finance Company Limited,²⁴ issued on 4 January 2006 and amended as of 30 March 2015, and Take-out Finance Scheme for Financing Viable Infrastructure Projects, effective 16 April 2010 and amended as of 27 January 2015, have, since their most recent amendments, been assessed in accordance with the provisions of para. 1(i) of Schedule 6 to the FFA and been found to be consistent in all relevant respects to the versions on which the FFA was based.

E. Project Readiness

25. In addition to the satisfactory implementation of tranche 1—with respect to disbursement, the FFA, and loan covenants—28 subprojects are in the IIFCL pipeline. Of these, 13 subprojects are for direct lending to greenfield projects, at an estimated total cost of Rs81.28 billion (\$1.31 billion), and 15 subprojects are for take-out financing, at an estimated total cost of Rs60.92 billion (\$0.98 billion).²⁵ The indicative pipeline of subprojects covers mostly roads and power (i.e., transmission and renewable energy) and is subject to due diligence by IIFCL to ensure conformity with ADB requirements prior to ADB approval for disbursement under the tranche. Covenants on financial risk management, internal audit, and safeguard management will facilitate improved project management.

F. Retroactive Financing

26. IIFCL has requested to allow retroactive financing of eligible expenditures. ADB may, subject to its policies and procedures, permit on request retroactive financing of eligible expenditures for the tranche up to 20% of the loan amount, incurred prior to loan effectiveness but not earlier than 12 months before the signing of the tranche's loan agreement. IIFCL acknowledges that any approval of retroactive financing will not constitute a commitment by ADB to finance the related project.

IV. DUE DILIGENCE

A. Economic and Financial

27. Tranche 2 will finance subprojects with strong economic fundamentals. Most subprojects identified are roads. Based on an ADB validation report on a project loan to India for rural roads, the economic internal rate of return based on 131 subproject roads at appraisal was 26.6%—24.3% for 77 subproject roads in Madhya Pradesh and 29% for 54 subproject roads in Chhattisgarh.²⁶

²⁴ Refer to <u>http://www.iifcl.org/Content/ESMU.aspx</u>. This is also available as Supplementary Appendix E.

²⁵ Refer to Annex 1 of the periodic financing request letter submitted by IIFCL in Appendix 4. List of indicative projects is in Supplementary Appendix A.

²⁶ ADB. 2014. Validation Report: Rural Roads Sector I Project in India. Manila.

28. IIFCL's financial performance has been adequate during the first tranche. From FY2014 to FY2015, its average annual revenue growth was 11.1%, its return on average assets was 1.6%, its capital adequacy was greater than 24%, and its reported nonperforming loan ratio was less than 2%. IIFCL's liquidity is strong and it maintains a liquidity position equal to its fund requirement of at least two quarters in a given fiscal year, which is sufficient to meet its loan obligations, including those from ADB and other financial institutions. Fixed bank deposits can be liquidated on demand as needed. In addition, IIFCL has proven access to raise funds to supplement its funding requirements by (i) accessing the Indian rupee debt markets, (ii) tapping the central bank's foreign currency reserves, and (iii) securing term loans from institutions that run nationalized insurance and saving schemes. In this case, the Indian rupee bullet payment to ADB of \$50 million equivalent will be repaid through new borrowings.

29. For the application of market lending rates for pricing subloans, IIFCL applies a benchmark rate that is computed using the cost of borrowed funds, overhead costs, return on net worth, market bond yields, and expected future trend; it is reviewed on a quarterly basis by the Credit and Operational Risk Management Committee based on market conditions and regulatory guidelines. For direct lending, IIFCL is part of a consortium of lenders in which the interest rate is decided by the lead bank and is checked and evaluated against the benchmark rate. A risk premium is added to the benchmark rate for take-out loans.

30. IIFCL remains of strategic importance for the government in promoting long-term infrastructure financing, so it benefits from government ownership and support. Standard & Poor's affirmed IIFCL's international credit rating of BBB– (Stable) in November 2014. IIFCL maintains an AAA local rating from domestic rating agencies.

31. The economic and financial analyses are in Appendixes 8 and 9.

B. Governance

32. IIFCL has the financial management capacity to administer the tranche. IIFCL board members oversee operations and have suitable industry and policy backgrounds. IIFCL staffing continues to deepen both in terms of overall resources and technical capacities. Accounting policies are well established and follow national statutes. Since ADB approved tranche 1, IIFCL has successfully applied to be classified as an infrastructure nonbanking financial company, which brings it under the supervision of the Reserve Bank of India. Given the government's historical and expected support, IIFCL will have sufficient equity to absorb tranche 2 without breaching regulatory capital requirements.

33. ADB's Anticorruption Policy (1998, as amended from time to time) was explained to and discussed with the government and IIFCL. The specific policy requirements and supplementary measures are described in the PAM.

C. Poverty, Social, and Gender Dimensions

34. Infrastructure development promotes inclusive growth and reduces poverty by: (i) expanding overall production capacity and creating additional jobs; (ii) reducing production and transport costs through improved transport and connectivity and that may extend beyond the country; (iii) connecting markets and other economic facilities; and (iv) improving access to service delivery such as health, education, and other basic services.²⁷

²⁷ ADB. 2012. Infrastructure for Supporting Inclusive Growth and Poverty Reduction in Asia. Manila.

35. An ADB empirical study indicates that the higher the overall productivity growth, the faster the pace of poverty reduction.²⁸ The anticipated key impact of tranche 2 will be greater affordability of high-quality infrastructure that stimulates in addition to multiplier effects, productivity increases, which in turn increase employment and income opportunities leading to poverty reduction. The poor are acutely affected by inadequate infrastructure, which impedes diversification and improvement of livelihoods. Shocks to the national economy, such as rationing the supply of electricity, particularly impact people who depend on small enterprises in the informal sector for their livelihood (Appendix 10).

D. Safeguards

36. IIFCL's environmental and social management system is appropriate. In 2007, ADB assisted IIFCL in formulating its safeguard policy and framework in consultation with development partners. The ESSF was updated during the processing of the IIPFF II in 2010. IIFCL revised and updated the ESSF in July 2013 to reflect recent legislative and regulatory changes pertaining to environmental and social safeguards, and changes in the safeguard policies of development partners.

37. Overall, IIFCL's ESMU performed adequately during tranche 1. In compliance with a condition subsequent of that tranche, IIFCL has recruited a permanent head for its ESMU. Based on a safeguards review of the ESMU and safeguards implementation of tranche 1 (Supplementary Appendix B), ADB agreed with IIFCL on additions to loan covenants to strengthen compliance with the ESSF (Supplementary Appendix E). On IIFCL's submission of annual environmental and social compliance monitoring and evaluation report for subprojects, (i) there were no major issues cited in the report; and (ii) ADB did not note any major issues, based on its review of the report, to merit an independent audit review.

38. Tranche 2 is assigned category FI for environment, involuntary resettlement, and indigenous peoples. ADB expects that subprojects will generally be classified category B and exclude category A subprojects. IIFCL, as a minority lender in a consortium, has limited negotiating leverage to enforce the necessary safeguard measures required for category A subprojects under ADB's Safeguard Policy Statement (2009).

39. In line with climate risk assessment, since the project has a *medium* climate risk classification, screening has been done, risks have been identified, and design changes will be incorporated, as necessary.

E. Risks and Mitigating Measures

40. Major risks and mitigating measures are summarized in Table 5 and described in detail in the updated risk assessment and risk management plan (Supplementary Appendix C). The integrated benefits and impacts of the project, however, are expected to outweigh the cost.

Risks	Mitigating Measures		
Indian rupee depreciation	IIFCL borrows in both local and foreign currency. Although it swaps its foreign borrowings into Indian rupees, its borrowings have a longer maturity than the maximum available swap, so IIFCL is exposed to foreign exchange rate risk when it rolls over maturing swap contracts. IIFCL can mitigate this risk by laddering its		

Table 5: Summary of Risks and Mitigating Measures

²⁸ R. Hasan, S. Lamba, and A. Sen Gupta. 2013. Growth, Structural Change, and Poverty Reduction: Evidence from India. *ADB South Asia Working Paper Series*. No. 22. Manila: ADB. The paper finds that a 1.00 percentage point increase in the annual rate of productivity growth leads to a 0.64 percentage point increase in the annual rate of poverty reduction.

Risks	Mitigating Measures		
	maturing swaps so that only a portion matures in any given year. Funding from the Indian rupee linker bonds gives IIFCL another tool to manage foreign exchange risk.		
ADB is unable to source offshore Indian rupee funds at an acceptable cost	ADB may reject, or ask IIFCL to modify, a withdrawal request in the event that the offshore Indian rupee linker bond market is inaccessible.		
Divergence from ADB's safeguard policies	With ADB's assistance, IIFCL established an ESMU that has performed adequately on safeguards implementation. ADB has excluded category A projects because IIFCL, as a minority lender, may not have the negotiating leverage to affect the necessary safeguard measures.		
Nonconventional disbursement arrangements	Through three MFFs, ADB has established a close working relationship with IIFCL's PMU. Moreover, SARD and the Controller's Department have and will continue to coordinate closely to facilitate successful disbursements. IIFCL will adapt templates, which were originally designed for imprest accounts, to estimate expenditures and reconcile expenditures.		

ADB = Asian Development Bank, ESMU = environment and social safeguards management unit, IIFCL = India Infrastructure Finance Company Limited, MFF = multitranche financing facility, PMU = portfolio management unit. Source: Asian Development Bank.

41. The government will provide a sovereign guarantee in form and substance acceptable to ADB for the term of the proposed loan.

F. Risk Categorization

42. Tranche 2 is classified as complex since the loan amount exceeds \$200 million.

V. ASSURANCES AND CONDITIONS

43. IIFCL has assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, and disbursement, as described in detail in the PAM and loan documents.

44. IIFCL has agreed with ADB on certain covenants for the project, which are set forth in the loan agreement. Among others, IIFCL has agreed to (i) integrate management information systems within 12 months of tranche effectiveness, (ii) complete its implementation plan for internal risk management by 30 June 2016, (iii) complete a periodic revision of its ESSF within 18 months of loan effectiveness, and (iv) appoint an internal auditor at a senior level reporting to IIFCL's board and update its internal audit manual within 18 months of loan effectiveness.

45. As conditions for effectiveness, IIFCL has also agreed to (i) undertake site visits to review particular tranche 1 subprojects' safeguard compliance, (ii) prepare a safeguards monitoring report on subprojects under tranche 1, and (iii) undertake a site visit and prepare a safeguards compliance report on at least one subproject proposed under Tranche 2.

VI. RECOMMENDATION

46. On the basis of the approval of ADB's Board of Directors for the provision of loans under the multitranche financing facility in an aggregate principal amount not exceeding \$700,000,000 to IIFCL and guaranteed by India for the Accelerating Infrastructure Investment Facility in India, it is recommended that the President approve the proposed tranche as described in paragraphs 3, 18 and 19 above, and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement for the proposed tranche.

DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 2

Results Chain	Performance Indicators with		Risks
	Targets and Baselines By 2019	Reporting	
Outcome Private sector investment in infrastructure PPPs facilitated	\$0.9 billion of private sector investments on eligible infrastructure PPP subprojects catalyzed (September 2015 Baseline: \$2.5 billion of private sector	Annual report of IIFCL	Increased project and borrowing costs making financial closure difficult
	infrastructure investments catalyzed in PPP under Tranche 1)		
Outputs	By 2019:		
1. Availability of long- term finance for PPP subprojects enhanced	1a. At least 13 PPP subprojects are financed under Tranche 2 utilizing the \$300 million loan amount (September 2015 Baseline:	1a. Annual audited statement of utilization of funds and semi- progress reports from IIFCL	Lack of viable PPP projects for funding IIFCL's portfolio quality deteriorates
	12 PPP subprojects funded under Tranche 1)		
	1b. At least \$50 million equivalent of funds from INR Linker Bonds applied to eligible PPP subprojects under Tranche 2	1b. ADB Pricing Supplement on INR Linker Bond	Absence of required regulatory approvals and unfavorable market conditions leading to ADB unable
	(September 2015 Baseline: INR Linker Bond were only introduced under Tranche 2)		to raise INR Linker Bonds
2. Operational capacity of IIFCL improved	By June 2016: 2a. Remaining 23 actions under IIFCL's internal risk management plan completed	2a-2b: Assessment prepared by an independent 3 rd party.	Key staff in PMU and ESMU leaves IIFCL
	(<u>September 2015 Baseline</u> : 6 out of 29 actions under IIFCL's internal risk management plan completed)		
	By April 2017: 2b. Integrated management information system completed within 12 months of Tranche 2 loan effectiveness		
	(<u>September 2015 Baseline</u> : Automated ledger and		

	accounting system in operation)				
	operation				
	By October 2017 2c. Internal audit manual updated and a senior-level internal auditor appointed	2c. Copies of internal audit manual and letter of appointment of a senior staff as internal auditor signed by IIFCL management			
	(<u>September 2015 Baseline</u> : Previously, internal audit functions were outsourced by IIFCL)				
	By October 2017 2d. ESSF policies and procedures updated (<u>September 2015 Baseline</u> : ESSF last updated in November 2010)	2d. Updated ESSF approved by IIFCL's Board and published on IIFCL's website			
Key Activities with Mil	estones				
 Availability of long-term finance for PPP subprojects enhanced Identify and finalize indicative list of subprojects to be financed by ADB under Tranche 2 (May-June 2015) Commence due diligence on IIFCL and project site visit of two sample projects for funding under Tranche 2 (June 2015) Issuance of ADB offshore INR Linker Bonds (April 2016) 					
 Operational capacity of IIFCL improved (continues to March 2019) Negotiate and sign PFR for Tranche 2 (March 2016) Tranche 2 becomes effective (April 2016) Complete IIFCL's implementation plan for internal risk management (30 June 2016) Integrate management information systems within 12 months of Tranche 2 loan effectiveness (April 					
 2017) 2.5. Update internal audit manual and appoint a senior-level internal auditor within 18 months of Tranche 2 loan effectiveness (October 2017) 2.6 Update ESSF policies and procedures within 18 months of Tranche 2 loan effectiveness (October 2017) 2.6. Fully utilize tranche 2 (31 March 2019) 					
Inputs	2 (31 March 2019)				
ADB: \$300 million (OC	R loan)				
Assumptions for Partner Financing					
Not applicable					

ADB = Asian Development Bank, ESMU = environment and social safeguards management unit, ESSF = environmental and social safeguards framework, IIFCL = India Infrastructure Finance Company Limited, OCR = ordinary capital resources, PFR = periodic financing request, PMU = project management unit, PPP = public–private partnership.

Note: A total of 30 PPP (i.e. 17 PPP subprojects under Tranche 1 and 13 PPP subprojects under Tranche 2) have been committed by IIFCL for the entire \$700 million facility under Facility Design and Monitoring Framework. Source: Asian Development Bank and IIFCL

LOAN NUMBER ____-IND

LOAN AGREEMENT (Ordinary Operations)

(Accelerating Infrastructure Investment Facility in India - Project 2)

between

ASIAN DEVELOPMENT BANK

and

INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

DATED _____

IND 47083

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated ______ between ASIAN DEVELOPMENT BANK ("ADB") and INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED ("Borrower").

WHEREAS

(A) by a framework financing agreement dated 19 August 2013 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purposes of financing projects under the Accelerating Infrastructure Investment Facility in India;

(B) by a periodic financing request dated 25 June 2015, the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01(a) of this Loan Agreement;

(C) the loan is to be guaranteed by India ("Guarantor") under the terms of the Guarantee Agreement of even date herewith between the Guarantor and ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 (Commitment Charge; Front End Fee) is deleted and the following is substituted therefor:

Commitment Charge; Credit. (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

- (b) Paragraph (c) of Section 7.07 (Negative Pledge) is deleted.
- (c) For an INR Drawdown Amount, the modifications in paragraph 1 of Schedule 1 shall apply.
- (d) For a USD Drawdown Amount, the modifications in paragraph 1 of Schedule 2 shall apply.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Anticorruption Policy" means ADB's Anticorruption Policy (1998, as amended to date);

(b) "Companies Act, 1956" means the Companies Act, 1956 (1 of 1956) of the Guarantor, as amended from time to time;

(c) "Corporate Governance Framework" means the corporate governance framework formulated in accordance with the Borrower's Comprehensive Business Plan and International Best Practices and attached as Appendix 4 to the RRP for Loan 2882;

(d) "Drawdown Amount" means the principal amount of the Loan disbursed by ADB to the Borrower from the Loan Account in respect of a Withdrawal Request;

(e) "ESMU" means the Environmental and Social Management Unit established by the Borrower in February 2010, that will be responsible for monitoring of compliance with the Guarantor's national and state level policies, laws and regulations and the ESSF;

(f) "ESSF" means the environmental and social safeguards framework prepared in consultation with ADB and in accordance with the Guarantor's national and state level policies, laws and regulations, safeguard policies of other development partners, and set out in Schedule 5 to the FFA, as amended from time to time;

(g) "Facility" means the Accelerating Infrastructure Investment Facility in India provided by ADB to the Borrower;

(h) "FFA" means the framework financing agreement dated 19 August 2013, entered into between ADB, the Borrower, and the Guarantor, for the Facility;

(i) "Goods" means equipment and materials to be financed out of the proceeds of a Subloan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(j) "Guarantor" for the purposes of, and within the meaning of, the Loan Regulations means India;

(k) "Initial Withdrawal Request" means the first Withdrawal Request;

(I) "INR Drawdown Amount" means a Drawdown Amount withdrawn in Rupees;

(m) "INR Interest Rate" means the interest rate payable on an INR Drawdown Amount, calculated according to paragraph 2(a) of Schedule 1 to this Loan Agreement;

(n) "INR Pricing Notice" means a pricing notice for an INR Drawdown Amount;

(o) "INR Repayment Date" means the date on which an INR Drawdown Amount shall be repayable in full to ADB, as set out in the applicable INR Pricing Notice, which date shall be no more than 10 years after the date of disbursement of the relevant INR Drawdown Amount;

(p) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(q) "Memorandum and Articles" means the memorandum and articles of association of the Borrower, as amended from time to time;

(r) "PAM" means the project administration manual dated October 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with respective administrative procedures of the Borrower and ADB;

(s) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, and the Guarantor, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the PFR dated 25 June 2015;

(t) "PMU" means the project management unit maintained by the Borrower in accordance with paragraphs 1 to 3 of Schedule 4 to this Loan Agreement and the PAM;

(u) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(v) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Borrower or any legal successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(w) "Qualified Enterprise" means an enterprise, which satisfies the selection criteria set out in paragraph 5(b) of Schedule 4 to this Loan Agreement, to which the Borrower proposes to make or has made a Subloan, and may include a special purpose vehicle that is incorporated in India;

(x) "SIFTI Qualified Subproject" means a subproject which meets the eligibility criteria as set out in SIFTI;

(y) "TFS Qualified Subproject" means a subproject which meets the eligibility criteria as set out in TFS;

(z) "Qualified Subproject" means either a SIFTI Qualified Subproject or a TFS Qualified Subproject, to be carried out by a Qualified Enterprise utilizing the proceeds of a Subloan;

(aa) "RBI" means the Reserve Bank of India;

(bb) "RRP" means the ADB's Report and Recommendation of the President to the Board of Directors;

(cc) "Rupee" or the sign "Rs." each means the Indian rupee, the lawful currency of India;

(dd) "SIFTI" means the Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called the India Infrastructure Finance Company Limited, issued on 4 January 2006 and amended to date as of 30 March 2015, and as further amended from time to time;

(ee) "SPS" means ADB's Safeguard Policy Statement (2009);

(ff) "Sublending Deadline", in respect of an INR Drawdown Amount, means the date which falls 18 months after the date such INR Drawdown Amount is disbursed;

(gg) "Subloan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to a Qualified Enterprise for a Qualified Subproject;

(hh) "Subloan Agreement" means a loan agreement entered into by and between the Borrower and a Qualified Enterprise in relation to a Subloan;

(ii) "Subsequent Withdrawal Request" means a Withdrawal Request subsequent to the Initial Withdrawal Request;

(jj) "TFS" means the Takeout Finance Scheme for Financing Viable Infrastructure Projects, effective 16 April 2010 and amended to date as of 27 January 2015, and as further amended from time to time;

(kk) "Tranche 1" means tranche 1 under the Facility;

(II) "Unliquidated Advance" means, as of the Sublending Deadline, the amount (if any) by which the applicable INR Drawdown Amount exceeds the aggregate amount of Subloans funded by such INR Drawdown Amount;

(mm) "USD Drawdown Amount" means a Drawdown Amount withdrawn in Dollars;

(nn) "Withdrawal Request" means a request by the Borrower to withdraw a portion of the principal amount of the Loan;

(oo) "Works" means construction or civil works to be financed out of the proceeds of a Subloan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred million Dollars (\$300,000,000), to be disbursed through INR Drawdown Amounts or USD Drawdown Amounts.

Section 2.02. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less all Drawdown Amounts disbursed from time to time) commencing 60 days after the date of this Loan Agreement and shall be payable in Dollars semiannually on 15 April and 15 October in each year.

Section 2.03. Each disbursement of an INR Drawdown Amount under this Loan Agreement shall be subject to the additional terms and conditions set out in Schedule 1 to this Loan Agreement. Each disbursement of a USD Drawdown Amount under this Loan Agreement shall be subject to the additional terms and conditions set out in Schedule 2 to this Loan Agreement.

Section 2.04. (a) Each Withdrawal Request may request disbursement of an INR Drawdown Amount or USD Drawdown Amount, except that the Initial Withdrawal Request shall request disbursement of an INR Drawdown Amount.

(b) Each Subsequent Withdrawal Request for an INR Drawdown Amount shall be submitted only once the Borrower has uat least 70% of the immediately preceding INR Drawdown Amount in accordance with the Loan Disbursement Handbook and the provisions of this Loan Agreement.

(c) Each INR Drawdown Amount shall be in an amount equivalent to not less than fifty million Dollars (\$50,000,000) and not more than 18 months of eligible funding requirements for Qualified Subprojects, in increments to be advised by ADB from time to time.

(d) Without prejudice to any other provision under this Loan Agreement, if ADB shall have reasonably determined that a situation has arisen such that ADB is unable to fund a particular INR Drawdown Amount, ADB in consultation with the Borrower may require the Borrower to modify the Withdrawal Request for the relevant INR Drawdown Amount into a Withdrawal Request for a USD Drawdown.

(e) The Borrower shall ensure that all necessary legal and regulatory requirements (including but not limited to those under the RBI's Master Circular on External Commercial Borrowings and Trade Credits) have been met to enable ADB to convert Rupees which it shall receive from the Borrower into Dollars and remit such proceeds outside of India.

Section 2.05. Except as ADB may otherwise agree, if a Subloan or any part thereof shall be repaid to the Borrower in advance of maturity, or if a Subloan or any part thereof shall be sold, transferred, assigned or otherwise disposed of by the Borrower, the Borrower may utilize the proceeds thereof for making further Subloans to Qualified Enterprises for Qualified Subprojects under the terms of this Loan Agreement.

Section 2.06 If an Unliquidated Advance shall have occurred and continued for a period of 180 days, then at any subsequent time during the continuance thereof ADB may by notice to the Borrower and the Guarantor declare the principal of that portion of the INR Disbursement Amount equivalent to such Unliquidated Advance, together with all accrued interest and charges thereon, including, if applicable, an Unwinding Amount, to be due and payable immediately, and upon such declaration such principal, interest and other charges shall become due and payable immediately. For the avoidance of doubt, such principal amount shall, once repaid, not be available for withdrawal.

Section 2.07. All payment and repayment obligations of the Borrower are independent of the timely and due performance by Qualified Enterprises of similar obligations under each Subloan Agreement, and shall be fulfilled by the Borrower solely in accordance with the provisions of this Loan Agreement. The Borrower shall indemnify ADB for any costs, expenses, charges or fees incurred as a result of the Borrower's failure to perform any of its payment or repayment obligations in a timely manner in accordance with this Loan Agreement. Such indemnity amount shall, if applicable, include an Unwinding Amount and shall be treated as a charge on the Loan which shall be payable by the Borrower upon demand by ADB.

ARTICLE III

Description of Project; Use of Proceeds of the Loan

Section 3.01. (a) The Project for which the Loan is made is the financing by the Borrower of specific subprojects by making Subloans for Qualified Subprojects to Qualified Enterprises, in accordance with the FFA, SIFTI or TFS (as applicable), the Companies Act, 1956, and this Loan Agreement.

(b) In the event of any change in SIFTI or TFS, the Guarantor, the Borrower and ADB will assess the potential impact on the Facility and evaluate any change in scope, amendment or continuation, as appropriate, of the Project.

Section 3.02. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Qualified Enterprises for Qualified Subprojects approved under paragraph 6 of Schedule 4 to this Loan Agreement, and shall be applied exclusively to the cost of Goods and Works and other items of expenditure required to carry out such Qualified Subprojects.

(b) The portion of the Loan available for any TFS Qualified Subproject shall not exceed 30 percent of the cost of such TFS Qualified Subproject. The portion of the Loan available for any SIFTI Qualified Subproject shall not exceed 20 percent of the cost of such SIFTI Qualified Subproject.

(c) To ensure compliance with the provisions of Section 4.02(b) of this Loan Agreement, the Borrower shall make a Subloan to a Qualified Enterprise for only (i) such SIFTI Qualified Subproject that involves procurement of Goods and Works from member countries of ADB in an amount at least equal to the size of the Subloan for the SIFTI Qualified Subproject; and (ii) such TFS Qualified Subproject for which the Qualified Enterprise certifies that Goods and Works of an amount at least equivalent to the Subloan were procured from member countries of ADB.

(d) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods and Works in accordance with the provisions of Schedule 3 to this Loan Agreement.

Section 3.03. (a) Whenever the Borrower proposes to make a Subloan or Subloans for a Qualified Subproject in an aggregate amount exceeding thirty million Dollars (\$30,000,000) or the Rupee equivalent thereof, the Borrower shall, before submitting a Withdrawal Request, submit to ADB an application for approval of such Subloan in form and substance meeting the requirements thereof set forth in the PAM. No withdrawal shall be made in respect of a Subloan falling within the provisions of this subsection unless ADB shall have authorized withdrawals from the Loan Account.

(b) Whenever the Borrower has made, or proposes to make, a Subloan for a Qualified Subproject in an amount not exceeding the equivalent of the amount specified in subsection (a) hereinabove, the Borrower shall, before submitting a Withdrawal Request, furnish to ADB a statement in form and substance meeting the requirements thereof set forth in the PAM.

Section 3.04. Subject to Section 3.05 of this Loan Agreement, no withdrawals shall be made from the Loan Account for amounts expended for the cost of a subproject prior to ADB's approval of the application described in Section 3.03(a) of this Loan Agreement, or receipt of the statement described in Section 3.03(b) of this Loan Agreement. For the avoidance of doubt, should such application or statement not include the required information, any funds which the Borrower may have lent for such sub-project shall not be recoverable from the Loan Account.

Section 3.05 Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount; provided (a) such expenditures shall have been incurred in compliance with the Procurement Guidelines and the SPS; and (b) suitable provisions shall be included in any existing subloans to reflect the provisions of Article IV of this Loan Agreement.

Section 3.06 Except as provided under this Loan Agreement and except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Section 3.07. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2019 or such other date as may from time to time be agreed between ADB and the Borrower.

ARTICLE IV

Subloans

Section 4.01. (a) Each Subloan shall carry interest at an appropriate rate as provided in paragraph 14(a) of Schedule 4 to this Loan Agreement, and shall be made on terms whereby the Borrower shall obtain, by a written agreement with the Qualified Enterprise in form acceptable to ADB, rights adequate to protect the interests of ADB and the Borrower. Each Subloan Agreement shall appropriately reflect, as obligations of the Qualified Enterprise in respect of the Qualified Subproject, the obligations of the Borrower under this Loan Agreement.

(b) Prior to disbursement of Subloans, the Borrower shall review the utilization report for each Qualified Subproject as verified by a chartered accountant, and the lead bank/designated lead syndicator, and which shall be accompanied by an engineer's report.

Section 4.02. Without limiting the generality of the foregoing provisions of Section 4.01 of this Loan Agreement and in addition to any other provisions which a prudent lender would request, each Subloan Agreement shall include provisions to the effect that:

- (a) the Qualified Enterprise shall carry out and operate the Qualified Subproject with due diligence and efficiency and in accordance with sound applicable technical, business and development practices, including maintenance of adequate accounts and records;
- (b) the proceeds of the Subloan shall be used only for procurement in member countries of ADB, in accordance with procedures acceptable to ADB, of Goods which are produced in and supplied from, and Works which are supplied from, such countries;
- (c) the Goods and Works shall be used exclusively in the carrying out of the Qualified Subproject;
- (d) ADB and the Borrower shall each have the right to inspect such Goods and Works, the Qualified Enterprise, the Qualified Subproject, and any relevant records and documents;
- the Qualified Enterprise shall carry out and operate the Qualified Subproject in compliance with the SPS as described in paragraphs 7 to 12 of Schedule 4 to this Loan Agreement;
- (f) the Qualified Enterprise shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound business practices, and, without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of Goods to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods;

- (g) ADB and the Borrower shall each be entitled to obtain all such information as each shall reasonably request relating to the Subloan, the Goods and Works, the Qualified Subproject, the Qualified Enterprise and other related matters; and
- (h) the Borrower shall be entitled to suspend or terminate further access by the Qualified Enterprise to the use of the proceeds of the Loan upon failure by the Qualified Enterprise to perform its obligations under its agreement with the Borrower.

Section 4.03. The Borrower shall promptly and effectively exercise its rights in relation to each Qualified Subproject in accordance with the standards of a prudent lender and in such manner as to protect the interests of ADB and the Borrower.

ARTICLE V

Particular Covenants

Section 5.01. (a) The Borrower shall carry out the Project and conduct its business with due diligence and efficiency and in conformity with applicable sound banking, administrative, financial and business practices.

(b) In the carrying out of the Project and in the conduct of its business, the Borrower shall perform all the obligations set forth in Schedule 4 to this Loan Agreement.

Section 5.02. The Borrower shall at all times take adequate measures to protect itself against any loss resulting from changes in the rate of exchange between Rupees and the currency or currencies in which the Borrower's outstanding money obligations will have to be met.

Section 5.03. The Borrower shall not make a Subloan to any Qualified Enterprise unless such Qualified Enterprise has at its disposal, or has made appropriate arrangements to obtain as and when required, all funds, including adequate working capital, and other resources which are required by such Qualified Enterprise for the carrying out of its Qualified Subproject in respect of which the Subloan is to be made.

Section 5.04. The Borrower shall maintain records and accounts adequate to record the progress of each Qualified Subproject (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the Borrower as part of the records and accounts referred to in Section 7.03 of the Loan Regulations.

Section 5.05. (a) The Borrower shall furnish to ADB all such reports and information as ADB shall reasonably request concerning the Qualified Enterprises, the Qualified Subprojects (including costs thereof), and the Subloans as part of the reports and information referred to in Section 7.04(a) of the Loan Regulations. (b) The Borrower shall include information on the execution of the Qualified Subprojects and their costs as part of the report referred to in Section 7.04(d) of the Loan Regulations.

Section 5.06. (a) The Borrower shall (i) provide its annual financial statements prepared in accordance with national financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with International Standards on Auditing or the national equivalent acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements and compliance with the financial covenants of this Loan Agreement) and a management letter (which sets out the deficiencies in the internal controls of the Borrower that were identified in the course of the audit, if any); and (iv) furnish to ADB, no later than 1 month after the board of directors of the Borrower has approved them, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Borrower and its financial affairs where they relate to the Project with the auditors appointed by the Borrower pursuant to subsection (a)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

The Borrower shall also (i) provide an annual statement of utilization of (c) funds, which shall be prepared using the same accounting principles and guidelines as the financial statements referred to in subparagraph (a)(i) above; (ii) have such statement audited annually by independent auditors whose qualifications, experience and terms of reference are the same as those referred to in subparagraph (a)(ii) above; (iii) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on (A) whether the statement presents fairly, in all material respects, or gives a true and fair view of the Qualified Subprojects funded by Drawdown Amount(s) in accordance with the national financial reporting standards; (B) the use of the Drawdown Amount(s) received during the year for the purposes of the Project, to include reconciling the unused portion of any INR Drawdown Amount(s) with disbursements to Qualified Subprojects; and (C) if applicable, the use of the statement of expenditure procedure certifying to the eligibility of those expenditures claimed under statement of expenditure procedures in accordance with ADB's Loan Disbursement Handbook and this Loan Agreement) and a management letter (which sets out the deficiencies in the internal controls of the Project that were identified in the course of the audit, if any); and (iv) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited statement of utilization of funds, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) ADB shall disclose the audited statement of utilization of funds within 30 days of the date of its receipt by posting it on ADB's website.

(e) The Borrower shall also (i) provide, within one month after each Sublending Deadline, a statement of utilization of funds as at such Sublending Deadline, which

shall be prepared using the same accounting principles and guidelines as the financial statements referred to in subparagraph (a)(i) above; and (ii) promptly furnish to ADB such other information concerning such statement as ADB shall from time to time reasonably request.

Section 5.07. The Borrower shall enable ADB's representatives to inspect any Qualified Enterprise, any Qualified Subproject, the Goods and Works, and any relevant records and documents maintained by the Borrower.

Section 5.08. (a) The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) The Borrower shall at all times conduct its business in accordance with sound applicable technical, financial, and business practices, and under the supervision of competent and experienced management and personnel.

(c) Except as ADB may otherwise agree, the Borrower shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Loan Agreement.

(d) The Borrower shall keep ADB informed of the establishment or acquisition by it of any subsidiaries.

Section 5.09. The Borrower shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its Memorandum and Articles, or SIFTI or TFS or any provision thereof, which, if implemented, could adversely affect the carrying out of the Project. The Borrower shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

ARTICLE VI

Suspension; Acceleration of Maturity

Section 6.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(I) of the Loan Regulations:

- (a) the Memorandum and Articles, or any provision thereof, shall have been repealed, suspended, amended or modified in any manner that in the reasonable opinion of ADB will or may adversely affect the carrying out of this Loan Agreement; and
- (b) SIFTI or TFS or any provision thereof, shall have been repealed, suspended, amended or modified in any manner that in the reasonable opinion of ADB will or may adversely affect the carrying out of this Loan Agreement.

Section 6.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 6.01 of this Loan Agreement shall have occurred.

ARTICLE VII

Effectiveness

Section 7.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

- (a) the ESMU shall have conducted site visits to the GVK Bagodara Vasad Expressway Pvt. Ltd., ACP Tollways Pvt. Ltd., and MEP Infrastructure Private Ltd. subprojects under Tranche 1 to monitor compliance with the Guarantor's national and state level policies, laws and regulations relating to the environment, resettlement and indigenous peoples policies, laws and procedures and any safeguards monitoring report or due diligence report with respect to safeguards prior to preparation of the monitoring report referenced in Section 7.01(c) of this Loan Agreement;
- (b) the ESMU shall have conducted a site visit and prepared a safeguards compliance report on at least one potential Qualified Subproject; and
- (c) the Borrower shall have submitted a safeguards monitoring report in respect of the implementation status of environmental and social safeguards for subprojects under Tranche 1 covering the period February 2014 to January 2015.

Section 7.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Chairman and Managing Director of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For ADB

Asian Development Bank 6 ADB Avenue Mandaluyong City 1550 Metro Manila Philippines Facsimile Numbers:

> (632) 636-2444 (632) 636-2337

For the Borrower

India Infrastructure Finance Company Limited 8th Floor, Hindustan Times Building 18 & 20, Kasturba Gandhi Marg New Delhi – 110001 India

Facsimile Number:

91-11-23730251.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By_____ [Name and Designation]

INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

Ву____

[Name and Designation]

SCHEDULE 1

Additional Terms Applicable to INR Drawdown Amounts

1. Pursuant to Section 1.01(c) of this Loan Agreement, the following modifications to the Loan Regulations shall apply to an INR Drawdown Amount:

(a) The following terms as defined under Section 2.01 (Definitions) of the Loan Regulations are deleted:

"Approved Currency", "Banking Day", "Conversion", "Conversion Date", "Conversion Guidelines", "Conversion Period", "convertible currency", "Counterparty", "Currency Conversion", "Currency Hedge Transaction", "Euribor", "Execution Date", "Financial Center", "Fixed Rate", "Fixed Spread", "Floating Rate", "Funding Cost Margin", "Interest Hedge Transaction", "Interest Rate Cap", "Interest Rate Collar", "Interest Rate Conversion", "LIBOR", "London Banking Day", "Rebate", "Reference Rate", "Screen Rate", "Semester", "Substitute Loan Currency", "Surcharge", and "Target Settlement Day".

(b) The term "Interest Payment Date" as defined under Section 2.01 (Definitions) of the Loan Regulations is deleted and the following is substituted therefor:

"(31) "INR Interest Payment Date" means any date on which interest on an INR Drawdown Amount shall be payable to ADB, as set out in the applicable INR Pricing Notice;

(c) The following term as defined under Section 2.01 (Definitions) of the Loan Regulations is deleted and the following is substituted therefor:

"(62) "Unwinding Amount" means an amount equal to any loss, premium, penalty, liability and/or expense incurred in (i) liquidating or employing an Unliquidated Advance which ADB declares to be due and payable, or all or any portion of an INR Drawdown Amount which is prepaid or whose maturity is accelerated, or (ii) borrowing from third parties in order to make, maintain, or fund, all or any part of such amount."

(d) Section 3.02 (Interest) is deleted and the following is substituted therefor:

"Section 3.02. **Interest.** Interest shall be payable on the principal amount of each INR Drawdown Amount and outstanding from time to time. For each Interest Period, interest in respect of an INR Drawdown Amount shall be calculated at the applicable rate notified by ADB pursuant the provisions of the Loan Agreement. Interest shall accrue from the respective date(s) on

which the relevant INR Drawdown Amount(s) shall be disbursed from the Loan Account to the Borrower."

(e) Paragraph (d) of Section 3.05 (Repayment and Prepayment) is deleted and the following is substituted therefor:

" (d) In respect of any portion of an INR Drawdown Amount to be prepaid the Borrower shall, on the date of prepayment, pay ADB an Unwinding Amount."

- (f) Section 3.06 (Rebate) is deleted.
- (g) Section 3.07 (Surcharge) is deleted.
- (h) Section 4.02. (Currency of Payment) is deleted and the following is substituted therefor:

"Section 4.02. **Currency of Payment.** Unless otherwise agreed to and subject to such terms and conditions as may be stipulated by ADB, all amounts payable by the Borrower in respect of an INR Drawdown Amount shall be paid in Rupees."

- (i) Section 4.04. (Temporary Currency Substitution) is deleted.
- (j) Article V (Conversion of Loan Terms) is deleted.
- (k) Paragraph (a) of Section 7.07 (Negative Pledge) is deleted and the following is substituted therefor:

" (a) If the Borrower shall create or permit the creation of any lien on any of its assets as security for any of its debt, the Borrower undertakes to expressly provide that such lien will <u>ipso</u> <u>facto</u> equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan. If any statutory lien shall be created on any assets of the Borrower, the Borrower shall grant to ADB an equivalent lien satisfactory to ADB."

(I) Paragraph (b) of Section 9.07 (Acceleration of Maturity) is deleted and the following is substituted therefor:

" (b) In respect of each INR Drawdown Amount or portion thereof equivalent to an Unliquidated Advance, if any notice of acceleration is made pursuant to paragraph (a) of this Section: the Borrower shall pay ADB an Unwinding Amount."

2. Pursuant to Section 2.03 of this Loan Agreement, the following terms shall apply to each INR Drawdown Amount:

(a) ADB shall advise the exchange rate in the Rupee foreign exchange market which was used to convert or translate Dollars into Rupees for an

INR Drawdown Amount, reduce the available Dollar balance of the Loan and inform the Borrower of the same.

- (b) The Borrower shall pay to ADB interest on each INR Drawdown Amount outstanding from time to time at a rate equal to the sum of: (i) the rate which ADB shall pay to raise Rupees for the purpose of financing an INR Drawdown Amount for the relevant period; and (ii) 0.60% per annum as provided by Section 3.02 of the Loan Regulations, less a credit of 0.10% per annum as provided by Section 3.03 of the Loan Regulations.
- (c) Interest and other charges on each INR Drawdown Amount shall be payable to ADB semiannually by 10 a.m. (Mumbai time) on each INR Interest Payment Date.
- (d) The Borrower shall repay each INR Drawdown Amount in full to ADB by 10 a.m. (Mumbai time) on the applicable INR Repayment Date.
- (e) On each INR Interest Payment Date and on the INR Repayment Date, ADB shall use commercially reasonable efforts to avail of the exchange rate in the on-shore spot Rupee foreign exchange market which shall yield the maximum amount in Dollars upon exchange of interest in Rupees and the INR Drawdown Amount. Should conversion of such amounts at such rate result in a Dollar amount which is less than ADB's liability under the applicable Rupee bond issued by ADB that settles in another currency (including but not limited to Dollars) for the purpose of financing an INR Drawdown Amount, the Borrower shall reimburse ADB for such difference at the next following INR Interest Payment Date or the INR Repayment Date, or on such other date as determined by ADB.

3. As soon as practicable following the receipt and acceptance of a Withdrawal Request for an INR Drawdown Amount, ADB shall disburse the INR Drawdown Amount to the Borrower and send to the Borrower and the Guarantor an INR Pricing Notice specifying, with respect to the INR Drawdown Amount:

- (a) the INR Interest Rate;
- (b) the INR Interest Payment Dates and the INR Repayment Date; and
- (c) any other information that ADB deems necessary.

In the absence of manifest error, the INR Pricing Notice shall be final and binding upon the Borrower and the Guarantor.

SCHEDULE 2

Additional Terms Applicable to USD Drawdown Amounts

1. Pursuant to Section 1.01(d) of this Loan Agreement, the following modifications to the Loan Regulations shall apply to a USD Drawdown Amount:

(a) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(b) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

2. Pursuant to Section 2.03 of this Loan Agreement, the following terms shall apply to each USD Drawdown Amount:

- (a) The portion of the Loan that is disbursed through USD Drawdown Amounts has a principal repayment period of 15.5 years, and a grace period as defined in subsection (b) hereinafter.
- (b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in the Attachment to this Schedule 2.
- (c) The Borrower shall pay to ADB interest on each USD Drawdown Amount outstanding from time to time at a rate for each Interest Period equal to the sum of: (i) LIBOR; and (ii) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.
- (d) Interest and other charges on each USD Drawdown Amount shall be payable semiannually on the dates set forth in Section 2.02 of this Loan Agreement.
- (e) The Borrower shall repay the portion of the Loan that is disbursed through USD Drawdown Amounts in accordance with the provisions of the Attachment to this Schedule 2.
- (f) The Borrower may at any time request any of the following Conversions of the terms of portion of the Loan that is disbursed in Dollars in order to facilitate prudent debt management:
 - a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding, to an Approved Currency;

- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.
- (g) Any conversion requested pursuant to subsection (f) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

Amortization Schedule

(Accelerating Infrastructure Investment Facility in India – Project 2)

1. The following table sets forth the Principal Payment Dates of the USD Drawdown Amounts and the percentage of the total USD Drawdown Amounts payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the share of USD Drawdown Amounts repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total amount of USD Drawdown Amounts outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

15 April 20202.17390015 October 20202.22824815 April 20212.28395415 October 20212.34105315 April 20222.39957915 October 20222.45956815 April 20232.52105815 October 20232.58408415 April 20242.64868615 October 20242.71490315 April 20252.85234515 April 20262.92365415 October 20262.99674515 October 20273.14845515 April 20283.22716715 October 20283.30784615 April 20293.39054215 October 20283.30784615 April 20293.47530615 April 20303.651243
15 April 20313.74252415 October 20313.83608715 April 20323.931989
15 April 2032 3.931989 15 October 2032 4.030289 15 April 2033 4.131046

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the share of USD Drawdown Amounts repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any USD Drawdown Amounts are outstanding as of the first Principal Payment Date, the Borrower shall repay the amounts withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal of USD Drawdown Amounts after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals of USD Drawdown Amounts made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal and shall be repayable on each of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this attachment to Schedule 2, upon a Currency Conversion of all or any portion of the USD Drawdown Amounts to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the USD Drawdown Amounts outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Procurement of Goods and Works

General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines as applicable to financial intermediaries.

2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Procurement

3. The Borrower shall ensure that each Qualified Enterprise undertakes, or has undertaken, procurement of Goods and Works for Qualified Subprojects with due attention to economy and efficiency and adopts or has adopted, to the extent possible, internationally competitive bidding procedures when the amount of the investment is unusually large and economy and efficiency can be gained by following such procedures; and (b) ensure that the Goods and Works to be financed by Subloans shall be purchased at a reasonable price, account also being taken of relevant factors such as time of delivery, efficiency and reliability of the Goods, and their suitability for the Qualified Subproject.

4. For build operate and transfer projects and their variants, if the Qualified Enterprise or engineering, procurement, and construction contractor is selected through competitive bidding among international entities in accordance with procedures acceptable to ADB, such Qualified Enterprise or contractor may apply its own procedures for procurement provided that such procurement is for Goods and Works supplied from, or produced in, ADB member countries. To this end, the Qualified Enterprise shall ensure that the amount of procurement of Goods and Works from member countries of ADB is at least equal to the size of the Subloan for the Qualified Subproject.

Industrial or Intellectual Property Rights

5. (a) The Borrower shall cause Qualified Enterprises to ensure that all Goods and Works procured by the Qualified Enterprise (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause Qualified Enterprises to ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. (a) The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

(b) The Borrower shall ensure that the PMU shall monitor the screening and selection of Qualified Subprojects in consultation with the consortium of lenders, and also the day-to-day implementation. The PMU shall also be responsible for ensuring that all Qualified Subprojects are in compliance with the ESSF, the PAM, the safeguards requirements of this Schedule 4 and the Guarantor's national and state level policies, laws and regulations relating to the environment, resettlement, and indigenous peoples.

2. The PMU shall be comprised of specialist staff with expertise in risk management and project advisory work. A senior officer, reporting directly to the chairman and managing director of the Borrower, shall be appointed for ensuring compliance with the ESSF, the PAM, and the safeguards requirements of this Schedule 4. The PMU shall also have a dedicated financial/accounting officer to monitor Project accounts and process claims. The Borrower shall also be responsible for developing and implementing an investment program performance monitoring system.

3. The Borrower shall further develop and maintain the capacity of the PMU staff to perform the responsibilities of the PMU, including developing and maintaining specialist capacity and expertise to conduct and implement environmental and social safeguards due diligence by: (a) developing and training existing staff with such capacity and expertise; and/or (b) engaging staff or consultants with such capacity or expertise.

4. The board of directors of the Borrower shall provide policy direction and strategic oversight for the Project.

Eligibility and Selection Criteria

5. (a) Each Qualified Enterprise and Qualified Subproject shall satisfy at all times the sub-borrower and sub-project eligibility and selection criteria as set out in SIFTI (for a SIFTI Qualified Subproject) or TFS (for a TFS Qualified Subproject), which includes, *inter alia*, appraisal by a specialized and designated appraisal agency for technical, economic, and financial viability, and review and acceptance of the results of the appraisal by the lead bank.

(b) Without limitation to clause (a) of this paragraph, each Qualified Enterprise shall:

- (i) be or have been selected in accordance with ADB's Procurement Guidelines;
- (ii) have adequate resources and financial capability to raise resources to complete and operate the relevant Qualified Subproject successfully;
- (iii) not be in default on any prior loan from the Borrower or from any of the participating members of the consortium of lenders;
- (iv) be able to provide security as required by the consortium of lenders;
- (v) maintain appropriate financial records of income and expenditure to the satisfaction of the Borrower and ADB;
- (vi) ensure that each Qualified Subproject shall be unlikely to have (A) significant adverse environmental impacts that are irreversible, diverse, or unprecedented; (B) significant involuntary resettlement impacts; and/or (C) significant impacts on indigenous peoples; and
- (vii) comply, and cause each Qualified Subproject to comply, with SPS as it applies to financial intermediary category B or C subprojects, the ESSF and the Guarantor's national and state level policies, laws and regulations relating to the environment, resettlement and indigenous peoples.
- (c) Notwithstanding the generality of clauses (a) and (b) hereinabove, the ADB loan available to the Borrower for TFS Qualified Subprojects shall not exceed 40 percent of the Loan amount.

Approval Procedure

6. (a) The Borrower shall ensure that all Qualified Subprojects subject to Section 3.03(a) of this Loan Agreement are submitted to ADB for prior review and approval in accordance with paragraph 5 of Schedule 3 of the FFA.

(b) Before any Qualified Subproject is approved for financing, the Borrower

shall:

- (i) review the preliminary designs and cost estimates as approved by the lending consortium;
- use the ESSF and the PAM to screen and categorize the significance of potential environmental impacts associated with such Qualified Subproject, and ensure that the Qualified Subproject does not involve any environmental, involuntary resettlement or indigenous peoples impacts which can be categorized as Category A under the SPS;

- (iii) ensure that the Qualified Subproject (A) does not involve any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS, and (B) complies with the Guarantor's national and state level policies, laws and regulations relating to the environment, involuntary resettlement and indigenous peoples;
- (iv) undertake due diligence in accordance with the requirements set forth in the ESSF and the PAM, and where applicable laws and regulations of the Guarantor relating to the environment do not require an environmental assessment to be undertaken, identify the potentially significant impacts and demonstrate that they are adequately mitigated;
- submit to ADB its safeguards compliance report or due diligence report with respect to safeguards including copies of any safeguards documents; and
- (vi) submit the safeguards compliance certificate to ADB.

(c) If any non-compliance is found during ADB's review of the documents, ADB shall request a corrective action plan, which shall be prepared by the Borrower and submitted to ADB for approval.

<u>Safeguards</u>

<u>Environment</u>

7. The Borrower shall implement the environmental safeguard framework as set out in the ESSF in accordance with its terms. The Borrower shall ensure that each Qualified Subproject: (a) is implemented and undertaken in accordance with the terms and conditions of the ESSF acceptable to ADB, and (b) is in compliance with the Guarantor's national and state level policies, laws and regulations relating to the environment and the SPS. The Borrower shall ensure that for each Qualified Subproject, environmental assessments, as applicable, such as: the initial environmental examination, the environmental impact assessment, and the environment management plan, or an environmental audit including a corrective action plan, if required, are submitted for ADB's prior approval.

8. The Borrower shall cause each Qualified Enterprise to ensure that the Qualified Subproject is undertaken in compliance with the Guarantor's national and state level policies, laws and regulations relating to the environment, SPS, and the terms of the ESSF.

9. The Borrower shall cause each Qualified Enterprise to ensure that all necessary mitigation measures shall have been undertaken to mitigate any adverse environmental impacts associated with the Qualified Subproject.

Resettlement

10. The Borrower shall implement the social safeguards framework as set out in the ESSF in accordance with its terms. The Borrower shall ensure that each Qualified Subproject, which involves land acquisition and has resettlement impacts, (a) is implemented and undertaken in accordance with the terms and conditions of the ESSF acceptable to ADB, and (b) the resettlement plan is submitted to ADB for approval, before it approves the Qualified Subproject. For Qualified Subprojects involving facilities and/or activities that already exist or are under construction before The Borrower's involvement, the Borrower shall ensure that a social compliance audit is conducted. The audit report (with corrective action plan, if any) constitutes the resettlement plan. The Borrower shall also ensure that adequate numbers of staff are trained and deployed to fully implement and comply with the ESSF.

11. The Borrower shall cause each Qualified Enterprise to ensure that each Qualified Subproject, which involves land acquisition and has resettlement impacts: (a) is undertaken in compliance with the Guarantor's national and state level policies, laws and regulations, relating to settlement, and the SPS, and the terms of the ESSF, (b) all land and rights-of-way required for a Qualified Subproject are obtained in a timely manner, (c) the provisions of the resettlement plans are implemented in accordance with their terms, (d) all compensation and resettlement assistance is given to the affected persons prior to their dispossession and displacement and commencement of civil works, (e) resettlement plans are updated upon completion of the detailed design and submitted to ADB for approval prior to commencement of civil works, or for Qualified Subprojects involving facilities and/or activities that already exist or are under construction social compliance audits are submitted to ADB, (f) adequate staff and resources are committed to supervising and monitoring implementation of the resettlement plans, and (g) experienced and gualified external experts or gualified non-government organizations acceptable to ADB and the Borrower are engaged by the Qualified Enterprise to monitor and evaluate results of implementation of resettlement plans, and the reports are forwarded to ADB and the Borrower as required under the ESSF.

Indigenous Peoples

12. The Borrower shall cause each Qualified Enterprise to ensure that Qualified Subprojects do not adversely affect vulnerable groups, such as indigenous peoples, and in the event of any impact or their involvement, the Borrower shall cause each Qualified Enterprise to implement the social safeguards framework as set out in the ESSF in accordance with its terms to ensure compliance with the SPS and the terms of the ESSF.

Financial

- 13. The Borrower shall:
 - (a) comply at all times with RBI prudential norms and other regulations applicable for an infrastructure non-bank finance company; and
 - (b) have no arrears in repayment of its current debt obligations.

Institutional Matters

14. The Borrower shall:

- lend to Qualified Subprojects on market-based terms that are adequate to cover all associated costs and risks to include any foreign exchange risk premium;
- (b) continue quarterly risk management reporting to its risk committee;
- (c) within twelve months of the Effective Date, integrate its management information systems; and
- (d) implement the recommendations stipulated in its Integrated Risk Management Systems Project by 30 June 2016, in a manner satisfactory to ADB.

15. The Borrower shall develop and maintain the capacity of ESMU staff to perform the responsibilities of the ESMU at a level that is commensurate with the overall operations of the Borrower from time to time, including developing and maintaining specialist capacity and expertise to conduct and implement environmental and social safeguards due diligence by (a) developing and training existing staff with such capacity and expertise, and/or (b) engaging staff or consultants with such capacity or expertise.

16. The Borrower shall at all times continue to fully and adequately staff the ESMU and ensure that all necessary budgetary and human resources are made available to fully implement the ESSF, PAM and grievance redress mechanism.

17. The Borrower shall, within 18 months after the Effective Date: (i) appoint an internal auditor at a senior staff level with strong audit experience and qualifications, who will report to the Audit Committee of the Borrower's board of directors; (ii) update its internal audit manual to reflect insourcing of the internal audit function with related policies and procedures; and (iii) ensure that its audit staff attain "certified internal auditor" qualification.

18. The Borrower shall update its ESSF to ADB's satisfaction within 18 months after the Effective Date to ensure consistency with the Guarantor's national and state level policies, laws and regulations relating to the environment, resettlement and indigenous peoples and the SPS.

Governance; Anticorruption

19. The Borrower shall (a) comply with the Anticorruption Policy and acknowledge that ADB reserves the right to examine and review any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Qualified Subprojects; (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation; and (c) ensure that accountability and transparency are maintained in its operations through stakeholder meetings and publication of progress reports throughout the duration of the Project, and internal procedures and controls are instituted, maintained, and complied with to prevent any corrupt, fraudulent, collusive, or coercive practices and to ensure conformity with the Anticorruption Policy. The Borrower shall ensure that all contracts financed by ADB in connection with the Qualified Subprojects specify the right of ADB to review and

examine the records and accounts of subborrowers, suppliers, and contractors as they relate to the Qualified Subprojects. The Borrower shall ensure that its annual report to its board of directors, and ADB includes a report upon and discussion of the implementation of its Corporate Governance Framework.

Labor Standards

20. The Borrower shall ensure that Works contracts under the Qualified Subprojects follow all applicable labor laws of India and the relevant 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.

Gender and Development

21. The Borrower shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation or Project activities.

Combating Money Laundering and Financing of Terrorism

22. The Borrower shall:

- (a) comply with applicable laws and regulations of the Guarantor on combating money laundering and financing of terrorism and ensure that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly inform the Guarantor and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs the Borrower of its concern that there has been such an alleged violation, the Borrower shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.

<u>Undertakings</u>

23. The Borrower shall carry out the undertakings provided for under Schedule 6 to the FFA in a timely manner.

Performance Monitoring and Evaluation

24. Within 6 months of the Effective Date, the Borrower shall establish baseline data for select indicators under the investment program performance monitoring system acceptable to ADB. Thereafter, the Borrower shall conduct annual surveys and shall update ADB on implementation progress against each indicator, in the semi-annual progress reports. Without limiting the generality of Section 7.04 of the Loan Regulations, the Borrower shall submit to ADB semi-annual progress reports and a completion report within 3 months of the completion of all Qualified Subprojects. The Borrower shall submit, on each anniversary of the Effective Date, an annual safeguards monitoring report to ADB. The safeguards monitoring report will report on the implementation status of the ESSF and grievance redress mechanism in the 12 months prior.

Project Review

25. The Borrower shall review the performance of the Project through the PMU on a quarterly basis, which shall be completed by the tenth day of the month following the quarterly review. The quarterly review should include reconciling of the unused portion of any INR Drawdown Amount with disbursements to Qualified Subprojects. The board of directors of the Borrower shall review the performance semi-annually and shall forward semi-annual progress reports to ADB by the tenth day of the month following the semi-annual review. ADB shall review semi-annual progress reports and shall undertake annual review missions and tripartite reviews chaired by the Guarantor. In addition, a midterm review shall be conducted by ADB and the Borrower in 2017.

Grievances

26. The Borrower shall ensure that towards smooth implementation of the Project, grievances if any from stakeholders relating to implementation or use of funds for Qualified Subprojects are addressed effectively and efficiently in compliance with the Guarantor's policies, laws and regulations and are consistent with SPS throughout the tenor of the Facility, and that it maintains information on its grievance redress mechanism on its website.

LOAN NUMBER ____-IND

GUARANTEE AGREEMENT (Ordinary Operations)

(Accelerating Infrastructure Investment Facility in India - Project 2)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED _____

IND 47083

GUARANTEE AGREEMENT (Ordinary Operations)

GUARANTEE AGREEMENT dated ______ between INDIA acting by its President ("Guarantor") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a Loan Agreement of even date herewith between ADB and India Infrastructure Finance Company Limited ("Borrower"), ADB has agreed to make to the Borrower from ADB's ordinary capital resources a loan of three hundred million Dollars (\$300,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees to guarantee the obligations of the Borrower in respect of such loan as set forth herein; and

(B) the Guarantor, in consideration of ADB's entering into the Loan Agreement with the Borrower, has agreed to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, ("Loan Regulations") are hereby made applicable to this Guarantee Agreement with the same force and effect as if they were fully set forth herein subject, however, to the modifications thereof set forth in the Loan Agreement.

Section 1.02. Wherever used in this Guarantee Agreement, the several terms defined in the Loan Agreement and in the Loan Regulations shall have the respective meanings set forth therein unless the context otherwise requires.

ARTICLE II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the premium, if any, on the prepayment of the Loan, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. The Guarantor shall not take any action, or permit any of its political subdivisions or agencies or any agency of any such political subdivisions to take any action, which would prevent or interfere with the successful carrying out of the

Project or the successful operation of the Project facilities, or the performance by the Borrower of its obligations under the Loan Agreement.

Section 2.03 (a) The Guarantor shall from time to time take such action as may be necessary or appropriate on its part to ensure prompt performance by the Borrower of its obligations under the Loan Agreement.

(b) The Guarantor shall perform all the obligations set forth in Schedule 4 to the Loan Agreement to the extent that they are applicable to the Guarantor.

Section 2.04. (a) It is the mutual intention of the Guarantor and ADB that no other external debt shall have any priority over the Loan by way of a lien on the assets of the Guarantor. To that end, the Guarantor undertakes (i) that, except as ADB may otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan; and (ii) that the Guarantor, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of paragraph (a) of this section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Guarantor" as used in paragraph (a) of this Section includes assets of any political subdivision or any agency of the Guarantor and assets of any agency of such political subdivision, and assets of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such political subdivision or agency, including any other institution performing the functions of a central bank for the Guarantor.

ARTICLE III

Section 3.01. The Secretary, Joint Secretary, Director or Deputy Secretary, Ministry of Finance, Department of Economic Affairs of the Guarantor is designated as representative of the Guarantor for the purposes of Section 12.02 of the Loan Regulations.

Section 3.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Guarantor

The Secretary to the Government of India Ministry of Finance Department of Economic Affairs North Block New Delhi – 110001 India Facsimile Numbers:

(91-11)	2309-2477
(91-11)	2309-2511

For ADB

Asian Development Bank 6 ADB Avenue Mandaluyong City 1550 Metro Manila Philippines

Facsimile Numbers:

(632) 636-2444 (632) 636-2337.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

INDIA

By _____ [Name and designation]

ASIAN DEVELOPMENT BANK

By _____[Name and designation]

Ms Sheyphali B. Sharan Director (ADB.I) Tel No. 23092494 e-mail: sheyphali.sharan@nic.in



भारत सरकार वित्त मंत्रालय आर्थिक कार्य विभाग Government of India Ministry of Finance Department of Economic Affairs

D. O. No. 5/5/2013-ADB-I

नई दिल्ली/New Delhi..... June 25, 2015

Dear Ms. Kho,

This refers to the FFA of Framework Financing Agreement (FFA) for the Accelerating Infrastructure Investment Facility in India (AIIF) dated 19th August, 2013.

2. I am enclosing herewith Periodic Financing Request (PFR)-No.2 subject to the condition that a minimum of 95% of disbursement under tranche –I would be necessary before effectiveness under tranche-II is taken up with IIFCL, for further necessary action at your end.

With regards,

Yours sincerely,

[Sheyphali B. Sharan]

Ms. M. Teresa Kho, Country Director, INRM, Asian Development Bank, 4 San Martin Marg, Chanakyapuri, New Delhi – 11 00 21

ASIAN DEVELOPMENT BANK INRM COUNTRY DIRECTOR'S OFFICE 3 0 JUN 2015 RECEIVED



PERIODIC FINANCING REQUEST

Date: 27th May 2015

- To: Asian Development Bank 6 ADB Avenue Mandaluyong City, Metro Manila
- ATTENTION: Mr. Hun Kim Director General, South Asia Regional Department

Sir/Madam:

RE: Accelerating Infrastructure Investment Facility in India Periodic Financing Request No. 2

Please refer to the Framework Financing Agreement (FFA) for the Accelerating Infrastructure Investment Facility in India (AIIF) dated 19 August 2013 between the Asian Development Bank (ADB), India Infrastructure Finance Company Limited (IIFCL) and India. Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, the IIFCL requests ADB to process this Periodic Financing Request (PFR) for a tranche, in the form of a loan from ADB's ordinary capital resources (OCR). The proposed financing amounts, terms, conditions and financing plan are specified in Attachment A hereto. Descriptions of the subprojects, for which financing is hereby requested are set out as part of the Attachment.

India hereby confirms that a guarantee in form and substance acceptable to ADB will be executed and issued, and confirmed as the valid and binding obligation of the Government of India, as a condition precedent to the requested tranche becoming effective.

By: India Infrastructure Finance Company Limited

Sri S.B. Nayar Chairman and Managing Director

By: India

Sheyphali Sharan Director (ADB) Department of Economic Affairs Government of India



	Attachment A
Project Description	The list and the description of the 28 subprojects attached hereto are indicated for financing under the requested PFR is attached in Annex 1. The Design and Monitoring Framework for this tranche is in Annex 2.
Cost Estimates and Financing Plan	The total cost of the 28 subprojects is estimated at Rs [142] billion (\$2.29 billion), comprising of [Rs.81.28] billion (\$1.31 billion) under direct lending and [Rs 60.92] billion (\$0.98 billion) under takeout financing, inclusive of taxes, duties, and interest and other charges on the loan during construction.
Loan Amount and Terms	The request is for a loan equivalent to \$300 million disbursed either in Indian rupees (INR) or US dollars from the ordinary capital resources (OCR) of the Asian Development Bank (ADB) provided under ADB's local currency lending facility approved in R195-05, and such other terms and conditions as agreed in the FFA, and further supplemented under the loan agreements. The Government of India (GOI) will guarantee repayment of principal and payment of interest.
Period of Loan Utilization	The last date on which any disbursement request under this tranche is expected to be made on 31 March 2019.
Retroactive Financing	In accordance with the FFA, it is requested to allow retroactive financing of eligible expenditures for the facility up to 20% of the individual subproject loans, incurred prior to loan effectiveness but not earlier than 12 months before the signing of the legal agreement, in each case as may be approved by ADB management. IIFCL acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
Implementation Arrangements	The Executing Agency will be IIFCL. IIFCL, as mandated by the GOI, is to assume an apex role in financing infrastructure projects in India and fostering PPP projects.
	Policy direction and strategic oversight will be provided by IIFCL's Board of Directors. The Borrower shall ensure that the screening and selection of qualified subprojects will be consistent with the FFA, Schedule 3, para. 4, and will also monitor day-to-day implementation. IIFCL's environment and social safeguard management unit (ESMU) shall be responsible for ensuring that all qualified subprojects are in compliance with the environmental and social safeguards framework (ESSF) and applicable national and state policies relating to environment, resettlement and indigenous peoples. IIFCL's project management unit (PMU) and ESMU shall always be staffed with existing resources of the Borrower. The PMU staff shall comprise specialists with expertise in risk management and project advisory work. A senior officer reporting directly to the Chairman and Managing Director of the Borrower shall be responsible for ensuring compliance with the ESSF. The PMU shall also have a dedicated financial/accounting officer to monitor project accounts and process claims.



Subproject and Sub-borrower Selection Criteria. The Government of India's Scheme for Financing Viable Infrastructure Projects ("SIFTI") provides the details of the definitions, eligibility criteria, appraisal and monitoring, and lending terms to subprojects. Thus, the eligibility requirements for subproject and sub-borrower selection criteria of AIIFI will adhere to the Scheme. In addition, in accordance with Schedule 3, para 4. of the FFA, subprojects will meet the eligibility criteria under AIIFI as stipulated therein.

Approval Procedure for Subprojects. In accordance with Schedule 3, para. 5, of the FFA, subprojects under the AIIFI will be prepared and processed as stipulated therein.

Procurement, Consulting and Disbursement

IIFCL will ensure that all goods and works to be financed under the Project will be procured in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). IIFCL will cause the sub-borrowers to (i) adopt, to the extent possible, international competitive bidding procedures when the amount of the investment is unusually large and economy and efficiency can be gained by following such procedures; and (ii) ensure that the goods and works to be financed by subloans shall be purchased at a reasonable price, account being taken also of relevant factors such as time of delivery, efficiency, and reliability of the goods, and their suitability for the subproject and, in the case of consulting services, of their quality and the competence of the parties rendering them in accordance with the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time). For build-operate-transfer (BOT) projects and variants, if the sub-borrower or engineering, procurement, and construction contractor is selected through competitive bidding among international entities in accordance with procedures acceptable to ADB, such borrower or contractor may apply its own procedures for procurement provided that such procurement is for goods and works, and consulting services supplied from, or produced in, ADB member countries. The individual loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time) under Chapter 11 for development finance institutions (DFI) using direct payment, reimbursement, and imprest funds procedures if required. Disbursements will be made in amounts of at least \$50 million equivalent, for the first disbursement in INR, and for subsequent disbursements in either INR or USD at IIFCL's election.

Confirmation of Continuing Validity of and Adherence to Provisions of FFA, Previous Agreements, and the Design and Monitoring Framework IIFCL confirms that the understandings set out in the FFA and provisions of previous loan agreements have been adhered, and remain true to date.

A full report on compliance is attached as Annex 3.



Readiness of the Project for Implementation	 (i) Satisfactory implementation performance of the first periodic financing request (Tranche 1) of AIIFI with respect to disbursement, FFA, and loan covenants; (ii) 36 subprojects are currently in the pipeline of IIFCL; and (iii) IIFCL has an enhanced and updated ESSF in its website and uploaded on the relevant ADB website for public disclosure and is adopted.
Safeguards	Environmental and social safeguards requirements of the PFR are to be dealt with in accordance with the ESSF developed and adopted by IIFCL with ADB's assistance. The updated ESSF dated July 2013 is available at the following IIFCL's webpage: http://www.iifcl.org/WriteReadData/UserFiles/file/ESSF_07112013.pdf



Annex 1

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INDICATIVE LIST OF SUBPROJECTS INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

A. Direct Lending

Indicative Environment al Risk Categorizati	5 00	8	ß	ß	œ	œ	a	æ	ß	8	ß	ß	8
Lead Lender	IFC			2			UBI	IREDA	8		Yes Bank		ICICI
Disbursement as on 31.03.2015	e		x					188,400,000.00					242,900,000 00
Net Sanction (USD in million)	21 29	6 77	8 55	12.58	6.45	8.71	25.81	5.06	24.19	32.26	24.03	15.48	21.77
Net Sanction (Rs. In Crore)	132.00	42.00	53.00	78.00	40.00	54.00	160.00	31.40	150.00	200.00	149.00	96.00	135.00
Original Project Cost	663.53	211.00	00.0	392.03	200.00	272.10	882.62	270.78	773.00	2290	745	750	678
State													
Transmission / Thermal/ Solar/ Wind/Hydro	Wind	Wind	SH	Wind	Transmission	Solar	NHAI	Solar	Mind			Solar Thermal	Transmission
Sector	Power	Power	Road	Power	Power	Power	Road	Power	Power	Road	Роп	Power	Power
Name of Project	DJ Energy Pvt. Ltd	Jasdan Energy Pvt. Ltd.	Mora Tollways Limited	Mytrah Vayu (Gujarat) Pvt. Ltd	Patran Transmission Company Ltd	SEI Sitara Pvt. Ltd	Solapur Tollways Pvt Ltd	Azure Clean Energy Pvt. Ltd.	Energon Power Resources Pvt. Ltd (Phase-II)	Kaithal Tollway Pvt Ltd	Essar Vizag Terminals Ltd	Cargo Solar Power Gujarat Private Limited	NRSS XXXI (B) Transmission Limited
Scheme	Direct Lending	Direct Lending	Subordinate Debt	Direct Lending	Direct Lending	Direct Lending	Direct Lending	Direct Lending	Direct Lending	Direct Lending	Direct Lending	Direct Lending	Direct Lending
S.No	-	2	e	ষ	S	9	2	ω	ດາ	10	11	12	13



Annex 1

B. Takeout

Net Sanction Disbursement as Sanction (USD in on 31.03.2015 million)	124.50 20.08 0.00 B		200.00 32.26 0.00 B	67.00 10.81 670,000,000.00 B	99.82 16.10 0.00 B		88.50 14.27 0.00 B	181.50 29.27 1,815,000,000.00 B	39.00 6.29 0.00 B	94.25 15.20 0.00 B	172.00 27.74 B	
b State		G										
Sector Sub	Road	Power Wind	Road	Power Solar	Road	Road	Power Wind	Power Wind	Power Solar	Road	Road	Power Wind
roject	DS Toll Road Ltd	Renew Wind Energy (Rajkot) Pvt.Ltd Jasdan	Trichy Tollways Ltd.	Welspun Urja Gujarat Pvt. Ltd.	Kalyan Keti Toll Pvt. Ltd.	Manawar Kukshi Tollways Pvt. Ltd.	Renew Wind Energy (Rajkot) Pvt. Ltd Vaspeth	Renew Wind (Jath) Pvt. Ltd.	Sunborne Energy Gujarat F One Pvt. Ltd.	GVRMP Whagdhari Ribbanpally Tollway Pvt Ltd.	Khagaria Purnea Highway Project Limited	Orange Jaisalmer Wind F
Scheme	TFS	TFS	TFS	TFS	TFS	TFS	TFS	TFS	TFS	TFS	TFS	TFS
No.	-	N	e	4	5	G	2	ω	ത	10	E	12

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Indicative Environmental Risk Categorization	m	в	۵
Disbursement as on 31.03.2015			
Net Sanction (USD in million)	6.29	48.39	16.13
Net Sanction	39.00	300.00	100.00
State			
Sub Sector	puiM	Wind	Wind
Sector	Power	Power	Power
Name of Project	Orange Renewable Power Private Limited	Bindu Vayu Urja Private Limited	Mytrah Vayu (Pennar) Private Limited
Scheme	TFS	TFS	TFS
s. oN	13	4	15



TRANCHE DESIGN AND MONITORING FRAMEWORK (PFR 2)

Investments in infra	structure increased (Twelfth I	Five-Year Plan, 2012–20	017)
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Facilitated private sector investment in infrastructure PPPs Outputs	Catalyzing over \$3.5 billion of private sector investment for financially closing subprojects by FY2019	IIFCL annual reports Infrastructure sector reports from research institutions, consulting and rating agencies	Increased project and borrowing costs making financial closure difficult
 Enhanced availability of long- term finance for PPP subprojects Improved project management 	 1a. By FY2019, at least 10 PPP subprojects are financed under Tranche 2 1b. By FY2016, INR Linker Bond funding at least \$50 million to finance eligible PPP subprojects under Tranche 2 2a. Timely approvals and release of funds to eligible subprojects 2b. Free limit of \$30 million for direct financing (introduced in April 2014) 2c. Completion of the implementation plan for internal risk management by July 2016 2d. Transition to an integrated management information system within 12 months of Tranche 2 loan effectiveness 2e. Updated ESSF policies 	 1a. IIFCL progress reports, audited annual and semi-annual financial accounts 1b. ADB Pricing Supplement on INR Linker Bond IIFCL official and internal documents, including. Audited annual reports PMU reports submitted to ADB ESSF (published in IIFCL website) 	IIFCL's portfolio quality deteriorates ADB is unable to source INR Linker Bonds at an acceptable cost Divergence from ADB's safeguard policies Key staff in ESMU leaves IIFCL
	and procedures within 18 months of Tranche 2 loan effectiveness 2f. At least 24 PMU staff trained for risk assessment		



1. En 1.1 Ide 20' 1.2 Co Tra 1.3 Iss	entify and final 15) mmence due anche 2 (June	ability of long-term finance for Plize indicative list of subprojects to b diligence on IIFCL and project site	be financed by ADB under T	
1. En 1.1 Ide 20' 1.2 Co Tra 1.3 Iss	hanced avail entify and final 15) mmence due anche 2 (June	ability of long-term finance for Plize indicative list of subprojects to b diligence on IIFCL and project site	be financed by ADB under T	
1.1 Ide 20' 1.2 Co Tra 1.3 Iss	entify and final 15) mmence due anche 2 (June	ize indicative list of subprojects to b diligence on IIFCL and project site	be financed by ADB under T	
1.2 Co Tra 1.3 Iss	mmence due anche 2 (June	diligence on IIFCL and project site	visit of two sample projects	
1.3 Iss		20131	The second se	for funding under
1.4 Co	ualice of ADD	offshore INR Linker Bonds (Octobe	er-December 2015)	
	nduct due dilig	gence of subprojects by IIFCL (Octo	ober 2015 to March 2019)	
2.1. Ne	gotiate and sig	et management (continues to Ma gn PFR for Tranche 2 (August 2015 s implementation plan for internal ris	5)	16
2.3. Imp	plement transi	tion to an integrated management i	information system within 12	2 months of Tranche
2.4. Ide yea	ntify PMU stat ar (ongoing un	ff for training on risk management a til 2018)	and credit appraisal in the fir	st quarter of each
2.5. Ful	ly utilize tranc	he 2 by 31 March 2019		
nputs				
ADB: \$	300 million (O	(CR loan)		

ADB = Asian Development Bank, ESMU = environment and social safeguards management unit, ESSF = environmental and social safeguards framework, IIFCL = India Infrastructure Finance Company Limited, PFR = periodic financing request, PMU = project management unit, PPP = public-private partnership. Source: Asian Development Bank.



COMPLIANCE REVIEW MATRIX OF LEGAL, ENVIRONMENTAL, AND SOCIAL SAFEGUARDS OF THE ACCELERATING INFRASTRUCTURE INVESTMENT FACILITY IN INDIA

ASSESSMENT ON COMPLIANCE OF LOAN COVENANTS COMPLETED UNDER THE LOAN AGREEMENT OF LOAN 3048 Å.

ltem/Source	Relevant Section	Loan Covenants	Status (complied/ are being complied/ are not yet complied)
Loan Agreement, Article III, Description of Project; Use of Proceeds of the Loan	Section 3.03 (a) to (c)	(a) whenever the borrower proposes to make a Subloan in an amount exceeding the amount of \$30 million, the Borrower, shall, before requesting a withdrawal, submit to ADB an application for approval of such Subloan. Such application shall be in a form satisfactory to ADB, and shall contain a description and appraisal of the Qualified Subproject, the terms and conditions of the proposed Subloan, and such other information as ADB conditions of the Qualified Subproject the terms and conditions of the proposed Subloan, and such other information as	Complied IIFCL had submitted Sub projects for financing under Loan 3048 in accordance with approval procedure set out in section 3.03
		ADD shall reasonably request. A subloan shall be deemed to exceed the equivalent of the amount specified in or agreed pursuant to this subsection if the amount of such Subloan, when added to the amount of any other Subloan or Subloans previously made or authorized for the same qualified subproject, exceeds the equivalent of the amount so specified or agreed. No withdrawal shall be made in respect of a Subloan falling within the provisions of the subsection unless ADB shall have authorized withdrawals from the Loan Account.	
		(b) Whenever the Borrower has made, or proposes to make, a Subloan in an amount not exceeding the equivalent of the amount specified in subsection (a) hereinabove, the Borrower shall, promptly furnish to ADB a statement, in a form satisfactory to ADB, describing the Qualified Subproject and the terms and conditions of the Subloan.	Complied

ltem/Source	Relevant Section	Loan Covenants	Status (complied/ are being complied/ are not yet complied)
		(c) Notwithstanding the requirements under clauses (a) and (b) hereinabove, all Subloans under Takeout Finance Scheme shall be required to follow requirements of clause (a) hereinabove, irrespective of the amount involved.	Complied
Loan Agreement, Article III Description of Project: Use of Proceeds of the Loan	Section 3.04	Subject to Section 3.06 of the Loan Agreement, no withdrawals shall be made from the Loan Account for amounts expended for the cost of Qualified Subproject prior to receipt by ADB of the application for approval of such Qualified Subproject pursuant to paragraph 6 of Schedule 3 to the Loan Agreement.	Complied
Loan Agreement. Article III Description of Project. Use of Proceeds of the Loan	Section 3.05	Writhdrawals from the loan account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of the Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount, provided (a) such expenditures shall have been incurred in full compliance with the Procurement Guidelines, and safeguards policies, and (b) suitable provisions shall be included in the existing Subloan agreements to reflect the provisions of Article IV of the Loan Agreement.	Complied
Loan Agreement. Article III Description of Project. Use of Proceeds of the Loan	Section 3.06	Except as ADB may otherwise agree, the loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.	Complied
Loan Agreement, Article IV Subloans	Sections 4.01	4.01 (a) Each Subloan shall carry interest at an appropriate rate as provided in para. 14 (c) of Schedule 3 to the Loan Agreement and shall be made on terms whereby the Borrower shall obtain, by a written agreement with the Qualified Enterprise in form acceptable to ADB, rights adequate to protect interests of ADB and the Borrower. Each Subloan agreement shall appropriately reflect the obligations of the Borrower and the Qualified Enterprise assumed under the Loan	Complied IIFCI's Sub loan agreements with the syndicated lead of each subprojects contain common terms that incorporate the provisions mentioned in section

(b) Prior to disbursement of subloans, the Borrower shall review the utilization report for each Qualified Subproject as verified by a chartered accountant, and the lead
bankroesignated lead syndicator, and which shall be accompanied by an engineer's certificate.
Each Subloan agreement shall include provisions to the effect that:
The Qualified Enterprise shall carry out and operate the Qualified Subproject with due diligence and
efficiency and in accordance with sound administrative, technical, financial, economic,
engineering, environmental, social safeguards, and business practices, including maintenance of adequate accounts and records;
The proceeds of the loan shall be used only for procurement in member countries of ADB, in
accordance with procedures acceptable to ADB, of
and consulting services which are supplied from, such countries and as set out in Schedule 2 to the
The goods, works and consulting services to be financed out of the proceeds of the loan shall be
used exclusively in the carrying out of the Qualified Subproject;
ADB and the Borrower shall each have the right to
inspect such goods and works, the qualified enterprise, the Qualified Subproject, and any
relevant records and documents;
The Qualified Enterprise shall carry out and operate the Qualified Subproject in compliance with ADB's
safeguards policies as required in paras. 8-13 of

Covenants disposal. or has made appropriate ar disposal. or has made appropriate ar including adequate working capital. a which are required. Il local model activing out its Oualified Subproject i the Subloan is to be made. Loan Agreement. Section 5.04 The Borrower shall maintain records adequate to record the progress of e subproject including the cost thereo accordance with consistently maintai accounting principles. The operations condition of the Borrower, as part of accounts referred to in Section 7.03. Regulations. Loan Agreement. Section 5.05 (a) The Borrower shall furnish to AD and information as ADB shall reactor accounts referred to in Section 7.03. Regulations. Loan Agreement. Section 5.05 (a) The Borrower shall furnish to AD and information as ADB shall reactor accounts referred to in Section 7.03. Regulations. Loan Agreement. Section 5.05 (a) The Borrower shall furnish to AD and information as ADB shall reactor accounts referred to in Section 7.03. Regulations. Loan Agreement. Section 5.05 (a) The Borrower shall include information as ADB shall reactor accounts referred to in Section 5.05. Regulations. Loan Agreement. Section 5.05 (a) The Borrower shall include information as ADB shall reactor accounts referred to in Section 5.05. Concenting the Qualified Enterprite Subprojects. and the Subboan set of the report referred to in Section 5.05. In Addition of the Qualified Subproses and referred to in Section 5.05. In Addition of the Coan resourced s	Relevant Section Loan Covenants (comp	Status (complied/ are being complied/ are not yet complied)
Section 5.04 The addition 5.04 The addition 5.05 (a) (b) (b) (b) (c) (a) (c) (c) (c) (c) (c) (c) (c) (c) (c) (c	ropriate arrangements to ed, all local currency funds, g capital, and other resources n Qualified Enterprise for ubproject in respect of which	IIFCL's examination of its accounts including funding source, ensuring DSCR at least 1 for each sub borrower
Section 5.05 (a) (b) Section 5.06 (a)		plied
Section 5.06 (a)	(a) (a)	plied
acceptable to ADB, in accord standards for auditing or the r	 7.04(d) of the Loan Regulations. 7.04(d) of the Loan Regulations. (a) The Borrower shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its accounts and financial statements (balance sheet, statement of income and expenses, and related statements) audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent 	Complied IFCL's audited balance sheet, profit & loss account for the fiscal year ending 31 March 2014 has been submitted to ADB. K. M. Agarwal chartered accountants were appointed by the office of the Comptroller & Auditor General of India as Statutory Auditors

-			
Status (complied/ are being complied/ are not yet complied)	The auditor's opinion on the use of the loan proceeds and compliance with the financial covenants of the loan agreement for the fiscal year ending 31 March 2014 has been submitted to ADB on 12 September 2014	Complied	Complied
Loan Covenants	acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report (which includes the auditor's opinion on the financial statements, use of loan proceeds and compliance with financial covenants of the Loan Agreement as well as on the statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (iv) furnish to ADB, no later than 6 months after the close of the fiscal year to which they related, copies of such audited financial statements, audit report and management letter, all in the English language, and such further information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.	ADB shall disclose the annual audited financial statements of the Borrower and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.	The Borrower shall cause Qualified Enterprises to: (a) adopt, to the extent possible, internationally- competitive bidding procedures when the amount of the investment is unusually large and economy and efficiency can be gained by following such procedures; and (b) ensure that the Goods and Works to be financed by Subloans shall be purchased at a reasonable price, account also being taken of relevant factors such as time of delivery, efficiency and reliability of goods, and their suitability for the Qualified Subproject and, in the case of consulting services, of their quality and the competence of the parties rendering them.
	accord the cover star cover cover the aucord the fror fror fror fror fror fror fror fro	(b) AD stal auc the wet	3. The (a) (a) (a) (b) (b) (c) (a) (b) (c) (c) (c) (c) (c) (c) (c) (c) (c) (c
Relevant Section			Part B. Procurement for Goods and Works; Selection of Consulting Services, paras. 3–4
Item/Source			Loan Agreement, Schedule 2

Status (complied/ are being complied/ are not yet complied)	υQ	 to Complied These are covered under intangibles and form part of the security given to Lenders. The Qualified Enterprises is expected ty to follow all the National Laws, including Law relating to intellectual property right a) 	State To State
LOAN COVENANTS	if the Qualified Enterprise or engineering, procurement, and construction contractor is selected through competitive bidding among international entities in accordance with procedures acceptable to ADB, such Qualified Enterprise or contractor may apply its own procedures for procurement provided that such procurement is for goods and works, and consulting services supplied from, or produced in, ADB member countries. To this end, the Qualified Enterprise shall ensure that the amount of procurement of goods, works, and consulting services from member countries of ADB is at least equal to the size of the Subloan for the Qualified Subproject.	 (a) The Borrower shall cause Qualified Enterprises to ensure that all goods and works procured by the Qualified Enterprise (including, without limitation, all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party. (b) The Borrower shall cause Qualified Enterprises to ensure that all contracts for the procurement of Goods and Works contain appropriate indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove. 	6. The Borrower shall cause Qualified Enterprises to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property rights or claim of any
Relevant Section		Part C. Industrial or Intellectual Property Rights, paras. 5–6	
Item/Source		Loan Agreement, Schedule 2	

ltem/Source	Relevant Section	Loan Covenants	Status (complied/ are being complied/ are not vet complied)
		third party	Care and the second sec
Loan Agreement, Schedule 3	Execution of Project. Financial Matters: Implementation Arrangements, paras. 1–4	 (a) The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail. 	Complied
		(b) The Borrower, as the Project Executing Agency, shall ensure that the PMU established under IIPFF I shall continue as the PMU under the Project to monitor the screening and selection of Qualified Subprojects in consultation with the consortium of lenders, and also the day-to-day implementation. The PMU shall also be responsible for ensuring that all Qualified Subprojects are in compliance with the ESSF and applicable national and state level policies, laws and regulations relating to environment, resettlement, and indigenous people.	Complied
		 The PMU shall be comprised of specialist staff with expertise in risk management and project advisory work. A senior officer, reporting directly to the chairman and managing director of the Borrower, shall be appointed for ensuring compliance with ESSF. The PMU shall also have a dedicated financial/accounting officer to monitor project accounts and process claims. The Borrower shall also be responsible for developing and implementing an investment program performance monitoring system. 	Complied
0		3. The Borrower shall further develop and maintain the capacity of the PMU staff to perform the responsibilities of the PMU, including developing and maintaining specialist capacity and expertise to	Contraction of the second seco

Status (complied/ are being complied/ are not yet complied)			Complied	S. J. S.
Loan Covenants	conduct and implement environmental and social safeguards due diligence by (a) developing and training existing staff with such capacity and expertise, and/or (b) engaging staff or consultants with such capacity or expertise.	4. The board of directors of the Borrower shall provide policy direction and strategic oversight for the Project.	(a) Each Qualified Enterprise and Qualified Subproject shall satisfy, at all times, the subborrower and subproject selection criteria as set out in the Scheme, which includes, <i>inter alia</i> , appraisal by a specialized and designated appraisal agency for technical, economic, and financial viability, and review and acceptance of the results of the appraisal by the lead bank.	 (b) Without limitation to clause (a) above, each Qualified Enterprise shall: (i) be selected in accordance with ADB's Procurement Guidelines; (ii) have adequate resources and financial capability to raise resources to complete and operate the relevant Qualified Subproject successfully; (iii) not be in default on any prior loan from the Borrower or from any of the participating members of the consortium of lenders; (iv) be able to provide security as required by the consortium of lenders; (v) maintain appropriate financial records of income and expenditure to the satisfaction of the Borrower and ADB; and (vi) comply and cause each Qualified Subproject to comply with ADB's policies and procedures and national and state policies, laws and regulations relating to environment, resettlement, and
Relevant Section			Execution of Project; Financial Matters: Selection Criteria, para. 5	
Item/Source			Loan Agreement, Schedule 3	

Annex 3 17

	Relevant Section	Loan Covenants	Status (complied/ are being complied/ are not vet complied)	18
		 indigenous peoples. Notwithstanding the generality of clauses (a) and (b) hereinabove, the ADB loan available to the Borrower for Qualified Subprojects under the Takeout Finance Scheme shall not exceed 40 percent of the Loan amount. 		Annex 3
Loan Agreement, Schedule 3	Execution of Project, Financial Matters: Approval Procedure, paras, 6–7	 6. Without limitation to Section 3.03 of the Loan Agreement, the Borrower shall ensure that all Qualified Subprojects are submitted to ADB for prior review and approval in accordance with Schedule 3 of the FFA. In order to prepare and process each Qualified Subproject, the Borrower shall: 		
		 (a) review the preliminary designs and cost estimates as approved by the lending consortium; 	endorsed and 1 was partially approved by ADB for financing. The eligible subprojects were reviewed and ascertained for	
		(b) review and update the ESSF for environmental assessment, involuntary resettlement, and indigenous peoples to ensure consistency with the applicable country legal frameworks and ADB's Safeguard Policy Statement (2009);		
		 (c) review and ascertain compliance with the ESSF and submit the review reports to ADB together with other relevant safeguard documents; and (d) submit the safeguards compliance certificate to ADB. 		
		7. If any noncompliance is found during ADB's review of the documents, ADB shall request a corrective action plan, which shall be prepared by the Borrower and submitted to ADB for approval.	5	
Loan Agreement, Schedule 3	Execution of Project, Financial Matters: Environment,	 The Borrower shall implement the environmental management system framework as set out in the ESSF in accordance with its terms. The Borrower 	Complied Subprojects are assessed for compliance with ESSF before	Fru

Status (complied/ are being complied/ are not yet complied)	approval for ADB financing		Complied	A CONTRACTOR
Loan Covenants	shall ensure that each Qualified Subproject (a) is implemented and undertaken in accordance with the terms and conditions of the ESSF acceptable to ADB; and (b) is in compliance with applicable environmental laws, rules, regulations, and policies of India and its relevant state(s), and ADB's Safeguard Policy Statement (2009). The Borrower shall ensure that for each Qualified Subproject, environmental assessments, as applicable, such as the initial environmental essessment, and the environmental impact assessment, and the environment management plan, or an environmental audit including a corrective action plan, if required, are submitted to ADB for prior approval, before it approves the Qualified Subproject.	The Borrower shall cause each Qualified Enterprise to ensure that the Qualified Subproject is undertaken in compliance with applicable environmental laws, rules, regulations, and policies of India and the relevant state, ADB's Safeguard Policy Statement (2009), and the terms of the ESSF.	The Borrower shall cause each Qualified Enterprise to ensure that all necessary mitigation measures shall have been undertaken to mitigate any adverse environmental impacts associated with the Qualified Subproject.	11. The Borrower shall implement the social safeguards framework as set out in the ESSF in accordance with its terms. The Borrower shall ensure that each Qualified Subproject, which involves land acquisition and has resettlement impacts, (a) is implemented and undertaken in accordance with the terms and conditions of the ESSF acceptable to ADB; and (b) the resettlement plan is submitted to ADB for
Relevant Section	Resettlement, and Indigenous Peoples, paras. 8–13	<u>o</u>	10	-
ltem/Source				

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Item/Source	Relevant Section	Loan Covenants	Status (complied/ are being complied/ are not yet complied)
		involvement, the Borrower shall cause each Qualified Enterprise to implement the social safeguards framework as set out in the ESSF in accordance with its terms to ensure compliance with ADB's Safeguard Policy Statement (2009) and the terms of the ESSF.	
Loan Agreement, Schedule 3	Execution of Project, Financial Matters	The Borrower shall ensure that:	Complied
		 (a) it complies, at all times, with the prudential norms, as made applicable to it by the Guarantor, including capital adequacy, income recognition, classification, and provisioning of nonperforming assets; 	
		(b) it maintains a capital to risk weighted assets ratio (as defined by the Reserve Bank of India) of at least 12%;	
		(c) In the event the Borrower's application to become a nonbank financial company is approved, the norms made applicable to it by the Reserve Bank of India shall be complied by the Borrower including capital adequacy, income recognition, classification, provisioning of nonperforming assets, and liquidity;	2
		(d) It shall have no arrears in repayment of its current debt obligations;	
		(e) It shall onlend to Qualified Subprojects on market-based terms that are adequate to cover all associated costs and risks to include any foreign exchange risk premium;	
		(f) In the absence of Reserve Bank of India's approval of its nonbank financial company application, it shall maintain a credit rating from	A A A A A A A A A A A A A A A A A A A

Status (complied/ are being complied/ are not yet complied)				Complied	Under Implementation Stage
Loan Covenants	 an international rating agency acceptable to ADB; (g) Within six months of Effective Date, it shall institute quarterly risk management reporting to its risk committee. The presentation and discussion shall address, at a minimum, changes in the risk profile of the Borrower's loan and investment portfolio and the status of its "Implementation Plan" for its "Integrated Risk Management Systems Project" of February 2013; 	(h) Within six months of Effective Date, it shall implement an integrated management information system to replace the current manual systems; and	 (i) It shall implement on a timely basis the "Implementation Plan" of the "Integrated Risk Management Systems Project, February 2013". 	15. The Borrower shall develop and maintain the capacity of ESMU staff to perform responsibilities of the ESMU at a level that is commensurate with the overall operations of the Borrower from time to time, including developing and maintaining specialist capacity and expertise to conduct and implement environmental and social safeguards due diligence by (a) developing and training existing staff or capacity and expertise, and/or (b) engaging staff or consultants with such capacity or expertise.	16. Within no later than 6 months of Effective Date, the Borrower shall have implemented the integrated data platform and loan accounting system and replaced the current manual system.
				Execution of Project, Financial Matters. Institutional Matters, paras. 15 to 18	
				Loan Agreement. Schedule 3	

ltem/Source	Relevant Section	Loan Covenants	Status (complied/ are being complied/ are not yet complied)
		17. The Borrower shall at all times continue to fully and adequately staff the ESMU. In this regard the Borrower shall, by no later than December 2014, regularize the post of ESMU head.	Complied
		18. Within no later than 6 months of Effective Date, the Borrower shall institute quarterly risk management reporting to its risk management committee. In this regard the Implementation Plan of the Borrower shall be implemented by July 2016.	Complied
Loan Agreement, Schedule 3	Execution of Project; Financial Matters: Governance; Anticorruption, para, 19	The Borrower shall ensure that accountability and transparency are maintained in its operations through stakeholder meetings and publication of progress reports throughout the duration of the Project, and internal procedures and controls are instituted, maintained, and complied with to prevent any corrupt, fraudulent, collusive, or coercive practices and to ensure conformity with ADB's Anticorruption Policy (1998, as amended to date). The Borrower shall ensure that all contracts financed by ADB in connection with the Subprojects specify the right of ADB to review and examine the records and accounts of the subborrowers, suppliers, and contractors as they relate to the subprojects. The Borrower shall ensure that its annual report to its board of directors, and ADB includes a report upon and discussion of the implementation of its commitment to good governance, accountability, and transparency, ADB reserves the right to examine and review any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Qualified Subprojects.	Complied IIFCL has disclosed all relevant information and policies on Company's website
Loan Agreement, Schedule 3	Execution of Project; Financial Matters: Undertakings, para.	The Borrower shall carry out the undertakings provided for under Schedule 6 to the FFA in a timely manner.	Complied

			(complied/ are being complied/
	20		are not yet compiled)
Loan Agreement, Schedule 3	Execution of Project, Financial Matters: Performance Monitoring and Evaluation	Within 6 months of the Effective Date, the Borrower shall establish baseline data for select indicators under the investment program performance monitoring system acceptable to ADB. Thereafter, the Borrower shall conduct annual surveys and shall update ADB on implementation progress against each indicator, in the semi-annual progress reports. Without limiting the generality of Section 7.04 of the Loan Regulations, the Borrower shall submit to ADB semi-annual progress reports and a completion report within 3 months of the completion of all Subprojects.	Noted
Loan Agreement. Schedule 3	Execution of Project; Financial Matters: Project Review	The Borrower shall review the performance of the Project through the PMU on a quarterly basis, which shall be completed by the tenth day of the month following the quarterly review. The board of directors of the Borrower shall review the performance semi-annually and shall forward semi-annual progress reports to ADB by the tenth day of the month following the semi-annual review. ADB shall review semi-annual progress reports and shall undertake annual review missions and tripartite reviews shall be conducted by ADB and the Borrower in the financial year 2014–15.	Complied IIFCL prepared Quarterly Reports and present to the Management and the Board IIFCL submitted Semi-annual progress reports to ADB
ADB = Asian Development Bank, ESMU = Environm Administration Manual, FFA = Framework Financing Financing Facility, PMU = Project Management Unit Sources: Asian Development Bank and India Infrast	ank, ESMU = Environment Framework Financing Agr Jject Management Unit Bank and India Infrastructi	ADB = Asian Development Bank, ESMU = Environmental and Social Management Unit, ESSF = Environmental and Social Safeguard Framework, FAM = Facility Administration Manual, FFA = Framework Financing Agreement, IIFCL = India Infrastructure Finance Company Limited, IIPFF = India Infrastructure Project Financing Facility, PMU = Project Management Unit Sources: Asian Development Bank and India Infrastructure Finance Company Limited.	Safeguard Framework, FAM = Facility PFF = India Infrastructure Project

ю.	ASSESSMENT ON COMPLIANCE OF UNDERTAKINGS COMPLETED UNDER THE FRAMEWORK FINANCING
	AGREEMENT (FFA)

Item/Source	Relevant Section	Ľ.	FFA Undertakings	Status (complied/ are being complied/ are not yet complied)
Framework Financing Agreement, Schedule 6	Para. 1 (i) to (vii)	1. The Guarantor al Facility:	The Guarantor and IIFCL ensure that under the Facility:	Complied
v		 The Guarantor remains col implementation of the Guan Scheme for Financing Viab through a Special Purpose Infrastructure Finance Corr Takeout Finance Scheme, date.) In the event of any c the Government, IIFCL and potential impact on the Fac change in scope, amendme anonomiate, of the Facility. 	The Guarantor remains committed to the implementation of the Guarantor's Scheme ((i) Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called the India Infrastructure Finance Company Limited and (ii) Takeout Finance Scheme, both as amended to date.) In the event of any change in the Scheme, the Government, IIFCL and ADB will assess the potential impact on the Facility and evaluate any change in scope, amendment, or continuation, as	
		 (ii) IIFCL complies, a norms as made a including capital classification, an assets: 	IIFCL complies, at all times, with the prudential norms as made applicable to it by the Guarantor, including capital adequacy, income recognition, classification, and provisioning of nonperforming assets:	Complied
		(iii) IIFCL maintains a debt s least one and has no arr current debt obligations;	IFCL maintains a debt service coverage ratio of at least one and has no arrears in the repayment of its current debt obligations;	Complied
		 (iv) The subprojects and subprojects and subprojects agreed eligibility criteria agreed financial and economic developmental impact; 	The subprojects and subborrowers meet the eligibility criteria agreed with ADB, including financial and economic viability and positive developmental impact:	Complied
		 (v) The onlending rate based and adequation associated with cexchange risk; 	The onlending rates to subborrowers are market- based and adequate to cover all costs and risks associated with onlending including any foreign exchange risk;	Complied
		(vi) The subborrower	(vi) The subborrowers adopt and implement appropriate	Complied

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Status (complied/ are being complied/ are not yet complied)										ALL REPORT	A C. P.
complied/ are are not y		Complied	Complied	8							
	competitive bidding and foster economy, efficiency, and transparency;	(vii) A subloan to a subborrower is made for only such subprojects that involve procurement of goods, works, and consulting services from ADB's developing member country (DMC)s and the amount of which is at least equal to the size of the subloan for each subproject.	2. IIFCL also makes the undertakings set out below:	(i) IIFCL shall provide long-term finance to eligible infrastructure subprojects in accordance with the requirements of its Scheme. IIFCL shall select subprojects for financing in accordance with the selection and approval criteria set out below. IIFCL shall ensure that the eligibility requirements for subproject and subborrower selection criteria of the Facility adhere to the Scheme which includes. <i>inter</i> <i>alia</i> , (a) an appraisal of the subproject by the designated specialized appraisal agency for technical, economic, and commercial viability, and review and acceptance of the results of the appraisal by the lead bank: and (b) that subborrowers wilt:	 be selected in accordance with ADB's Procurement Guidelines (2013, as amended 	 have adequate resources and financial capability to raise resources to complete and 	operate the relevant subproject successfully;	 not be in default under any prior loan from IIFCL or from any of the participating 	members of the consortium of lenders;	consortium of lenders; consortium of lenders;	 maintain appropriate tinancial records of
			Para. 2							14	
Itellizoonice											

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Status (complied/ are being complied/ are not yet complied)	ict to ment and	omitted sed er the nce with e FFA.	nework, The applicability of the said provisions towards public to disclosure is applicable only for disclosure is applicable only for category A Sub Projects and not feguard ime to itial intal antal effore gory A s is	in the Complied
	 income and expenditure to the satisfaction of IIFCL and ADB; and comply with and cause each subproject to comply with ADB's safeguard requirement and national and state policies, laws, and regulations relating to environment, resettlement, and indigenous peoples applicable at the date of the relevant periodic financing request (PFR) is submitted. 	IIFCL shall ensure that all subprojects are submitted to ADB for prior review, unless otherwise agreed between ADB and IIFCL and subprojects under the AIIFI are prepared and processed in accordance with the process set out in Schedules 4 and 5 of the FFA.	The environmental management system framework, as set out in the ESSF, is implemented in accordance with its terms acceptable to ADB to ensure that each subproject is undertaken in compliance with applicable environmental laws of India, relevant State of India, and ADB's Safeguard Policy Statement (2009), as amended from time to time. Further, that for each subproject, the initial environmental examination (IEE), environmental impact assessment (EIA), and the environmental management plan (EMP), as applicable, are submitted to ADB for review and approval before IIFCL submits the PFR, and that for any category A or B subproject, the IEE or summary EIA is made available to the public 120 days before a PFR is submitted to ADB.	The social safeguards framework, as set out in the ESSF, is implemented in accordance with its terms and satisfactory to ADB and that each subproject.
Kelevant Section			n n n n	Para. 4 4.
ltem/source			Framework Financing Agreement, Schedule 6	Framework Financing Agreement, Schedule 6

Annex 3 27

20	Alliex 3		
Status (complied/ are being complied/ are not yet complied)		Complied * -IIFCL through the project developers	Complied
	which involves land acquisition and has resettlement impacts, is undertaken in compliance with all the applicable laws of India, the relevant State of India, ADB's Safeguard Policy Statement (2009), as amended from time to time. Further, that the resettlement plans are submitted to ADB for approval before IIFCL approves the subproject. Furthermore, each subborrower is required by IIFCL to ensure that (i) all land and rights-of-way required for subprojects are obtained in a timely manner, (ii) the provisions of the resettlement plans are implemented in accordance with its terms, (iii) all compensation and resettlement assistance is given to the affected persons prior to their dispossession and displacement and commencement of civil works, (iv) resettlement plans are updated upon completion of the resettlement plans, and (vi) an independent agency acceptable to ADB and IIFCL is engaged by the subborrower to monitor and evaluate results of implementation of resettlement plans and forward reports to ADB and IIFCL is required.	Subprojects do not adversely affect vulnerable groups, such as indigenous peoples, and, in the event of any impact or their involvement, IIFCL will implement the social safeguards framework as set out in the ESSF in accordance with its terms to ensure compliance with ADB's Safeguard Policy Statement (2009), as amended from time to time.	As per its Scheme, IFCL shall only finance commercially viable projects and provide financing
Kelevant Section		5 Para 5	Para. 6
acinocalitati		Framework Financing Agreement, Schedule 6	

Status (complied/ are being complied/ are not yet complied)		Complied	Complied	Complied
FFA Undertakings	on commercial terms and price loans accordingly. Thus, IIFCL or identified project appraisal agencies will undertake extensive due diligence for all aspects of project economics and credit worthiness with regard to subprojects prior to loan approval by IIFCL.	Accountability and transparency in IIFCL are maintained in its operations through the stakeholder meetings and publication of progress reports through the duration of the Facility. Internal procedures and controls are instituted, maintained, and complied with to prevent any corrupt, fraudulent, collusive, or coercive practices and to ensure conformity <i>with ADB's Anticorruption Policy</i> (1998, as amended to date). The Borrower shall ensure that all contracts financed by ADB in connection with the subprojects specify the right of ADB to review and examine the records and accounts of the subborrowers, suppliers, and contractors as they relate to the subprojects. All contractes financed by ADB in connection with the subprojects specify the right of the subprojects specify the right of the subborrowers, suppliers, and contractors, as they relate to the subprojects.	IIFCL shall ensure that its annual report to its board of directors, and ADB, includes a report upon and discussion of the implementation of its Corporate Governance Framework. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to examine and review any alleged corrupt, fraudulent, coercive practices relating to Qualified Subprojects.	IIFCL shall establish an investment program
Relevant Section		Para. 7	Bara 8	Para. 9 9.
Item/Source			Framework Financing Agreement, Schedule 6	

Annex 3 29

Status (complied/ are being complied/ are not yet complied)		Complied	Complied
FFA Undertakings	performance monitoring system (IPPMS) acceptable to ADB within 3 months from the signing of the FFA. For the IPPMS, IIFCL will select a set of clearly measurable performance monitoring indicators relating to implementation, improvements, institutional development, and capacity building milestones, including those in the design and monitoring framework. IIFCL shall, through the PMU, review the performance of the Facility against the DMF on a quarterly basis which shall be completed by the tenth day of the month following the semiannual review. The Board of directors shall review the performance of the Facility semi-annually and shall forward semiannual progress reports to ADB by the tenth day of the month following the semiannual review. ADB will review the semiannual progress reports and undertake the annual review missions and during the tripartite reviews chaired by the Guarantor. In addition, a midterm review of the investment program will be conducted in FY2014- 15.	IFCL shall facilitate ADB's annual reviews of management, financial, and operational performance of IFCL and subprojects financed under the Facility after the closing of withdrawals. Such reviews will include environmental and social safeguard implementation and procurement procedures used by the subprojects.	
Relevant Section	2	Para. 10	Para. 11 11
ltem/Source			Framework Financing Agreement, Schedule 6

Re	Relevant Section		FFA Undertakings	Status (complied/ are being complied/ are not yet complied)
			expertise.	
Para	12	12	IFCL shall implement the recommendations set out in the manpower assessment study, which assessed the human resources of the Borrower and made recommendations for additional human resource requirements and was approved by the board of directors of the Borrower on 14 June 2009 (the "Human Resources Assessment" as may be amended from time to time) in accordance with the procedures described therein. IFCL shall also update ADB on the status of implementation of the Human Resources Assessment in each quarterly progress report provided to ADB.	Complied
Рага	£	13.	IIFCL shall at all times continue to fully and adequately staff the ESMU. In this regard IIFCL shall, by no later than December 2014, regularize the post of ESMU head. Based on a mid-term review of Project 1, this requirement may become a condition precedent for ADB's approval of PFR 2 under the Facility.	Complied
Para	14	14.	IIFCL shall comply at all times with the prudential norms as made applicable to IIFCL by relevant authorities in India. In the event IIFCL's application to become a nonbank financial company is approved, the norms made applicable to IIFCL by the Reserve Bank of India will be complied by IIFCL including capital adequacy, income recognition, classification, provisioning of nonperforming assets, and liquidity.	Complied
Para.	1, 15	15.	IIFCL shall ensure that it has no arrears in repayment of its current debt obligations.	Complied
Para.	1. 16	16.	IIFCL shall lend to subprojects on market-based terms that are adequate to cover all associated	Complied

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Item/Source	Relevant Section		FFA Undertakings	Status (complied/ are being complied/ are not yet complied)
			costs and risks to include any foreign exchange risk premium.	
	Para, 17	17.	In the absence of RBI's approval of IIFCL's NBFC application, IIFCL shall maintain a credit rating from an international rating agency acceptable to ADB.	IIFCL has been registered as a NBFC-ND-IFC with RBI since September 2013 and maintains Credit rating from " Standard & Poor's" rating services
	Para. 18	18.	By July 2014, IIFCL shall institute quarterly risk management reporting to its risk committee. The presentation and discussion will address, at a minimum, changes in the risk profile of IIFCL's loan and investment portfolio and the status of IIFCL's "Implementation Plan" for its "Integrated Risk Management Systems Project" of February 2013.	Already Implemented
	Para. 19	19.	By July 2014, IIFCL shall have initiated the first phase of the IIFCL's implementation of an integrated management information system to replace the current manual systems.	Under Implementation
	Para 20	20.	IIFCL shall implement by July 2016 the "Integrated Risk Management Systems Project" of February 2013.	Under Implementation
ADB = Asian Development Bank, AllFI = Accelerating Infrastructure Investment Facilit Assessment, EMP = Environmental Management Plan, ESSF = Environmental and So Framework Financing Agreement, IIFCL = India Infrastructure Finance Company Limit Non Bank Finance Company, PMU = Project Management Unit, RBI – Reserve Bank o Sources, Asian Development Bank and India Infrastructure Finance Company Limited.	I Bank, AllFI = Accelerating In Imental Management Plan, I ment, IIFCL = India Infrastru , PMU = Project Manageme t Bank and India Infrastructi	Frastra ESSF Loture ent Ur Lire Fir	ADB = Asian Development Bank, AIIF1 = Accelerating Infrastructure Investment Facility in India, DMC = Developing Member Country, EIA = Environmental Impact Assessment, EMP = Environmental Management Plan, ESSF = Environmental and Social Safeguard Framework, IEE = Initial Environmental Examination, FFA = Framework Frinancing Agreement, IIFCL = India Infrastructure Finance Company Limited, IPPMS = Investment Program Performance Monitoring System, NBFC = Non Bank Finance Company, PMU = Project Management Unit, RBI - Reserve Bank of India Sources. Asian Development Bank and India Infrastructure Finance Company Limited.	ar Country, EIA = Environmental Impact tial Environmental Examination, FFA = informance Monitoring System, NBFC =

Facility Administration Manual

Project Number: 47083 October 2015

IND: Accelerating Infrastructure Investment Facility in India

The facility administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in facility, project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest facility project or program changes.

Asian Development Bank

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Facility Administration Manual Purpose and Process

The facility administration manual (FAM) describes the essential administrative and management requirements to implement the facility on time, within budget, and in accordance with Government of India and Asian Development Bank (ADB) policies and procedures. The FAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the FAM.

The India Infrastructure Finance Corporation Limited (IIFCL) is wholly responsible for the implementation of the ADB financed facility, as agreed jointly between IIFCL and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by IIFCL of its obligations and responsibilities for facility implementation in accordance with ADB's policies and procedures.

At Loan Negotiations IIFCL and ADB shall agree to the FAM and ensure consistency with the Facility Agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the FAM and the Facility Agreement, the provisions of the Facility Agreement shall prevail.

After ADB Board approval of the facility's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Facility Administration Instructions) and upon such approval they will be subsequently incorporated in the FAM.

Abbreviations

ADB = AIIFI = DMF = ESMU = ESSF = GDP = IIFCL = IPPMS = FAM = MFF = MOF = PFR = PMU = RRP = SPS =	Asian Development Bank Accelerating Infrastructure Investment Facility in India design and monitoring framework environment and social safeguards management unit environmental and social safeguards framework gross domestic product India Infrastructure Finance Company Limited investment program performance management system facility administration manual multitranche financing facility Ministry of Finance periodic financing request project management unit Report and Recommendation of the President to the Board Safeguard Policy Statement
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NOTES

- (i) The fiscal year (FY) of the India Infrastructure Financing Company Limited (IIFCL) and the Government of India end on 31 March of the following year. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2014 ends on 31 March 2014.
- (ii) In this manual, "\$" refers to US dollars.

I. FACILITY DESCRIPTION

1. The proposed multitranche financing facility (MFF), Accelerating Infrastructure Investment Facility in India (AIIFI), involves a sovereign loan of \$700 million to India Infrastructure Finance Company Limited (IIFCL) to support the government's renewed effort in accelerating infrastructure growth through increased private sector investment as there are competing pressures on fiscal resources.

2. The impact of the investment program would be increased availability of infrastructure. The outcome would be facilitated private sector investment in infrastructure public-private partnerships. This will be achieved by supporting the evolution of the market for new financial products and modalities.

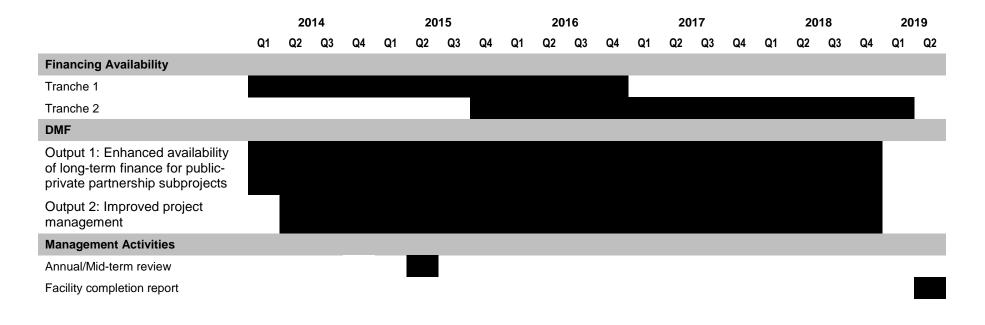
II. IMPLEMENTATION PLANS

Indicative Activities	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Who responsible
ADB preclearance of subprojects for retroactive financing		Х					IIFCL, ADB
Establish facility implementation arrangements		х					IIFCL
ADB Board approval		Х					ADB
Loan signing				Х			ADB, IIFCL, MOF
Government legal opinion provided				Х			IIFCL, MOF
Loan effectiveness						Х	ADB, IIFCL

A. Facility Readiness Activities

ADB = Asian Development Bank, IIFCL = India Infrastructure Finance Corporation Limited, MOF = Ministry of Finance

B. Overall Facility Implementation Plan



III. FACILITY MANAGEMENT ARRANGEMENTS

A. Facility Implementation Organizations–Roles and Responsibilities

Table 1: IIFCL's Roles and Responsibilities as Executing Agency and Implementing Agency

Agency	Management Roles and Responsibilities
IIFCL as	 Organize audits of the accounts by chartered accountants;
Executing Agency	 Adequately staff the PMU headed by a program director, who will be a senior staff of IIFCL for program administration, loan disbursement, accounts maintenance, and reporting to ADB; Liaise with PMU and ADB to address any implementation issues;
	 Prepare the six monthly and annual progress reports based on the information submitted by PMU; and
	 Establish an IPPMS within 3 months of the signing of the PFR including a set of clearly measurable performance monitoring indicators relating to implementation, improvements, institutional development, and capacity building milestones including those in the DMF.
IIFCL as Implementing	 Ensure that the subborrower and subproject selection criteria is adopted in accordance with ADB procedures and IIFCL's Scheme^a;
Agency	 Implement the approval procedures for proposed subprojects; Assign adequate staff to the PMU cell to implement the ESSF and approval procedure for the proposed subprojects; Ensure implementation of the ESSF for evaluating subprojects for ADB
	financing;Price sub-loans in line with IIFCL's Scheme;
	 Follow all due diligence procedures including with respect to environmental and safeguard norms;
	 Monitor progress of subprojects in line with subproject proposals and the agreed monitoring benchmarks with the lead bank;
	 Monitor implementation of the AIIFI in line with the IPPMS; Implement existing TA resources to upgrade credit appraisal and risk management capacity;
	 Ensure implementation of funds flow and disbursement requirements to eligible subprojects;
	 Ensure auditing of loan proceeds and maintenance of accounts; and Obtain and provide to ADB all disbursement-related documentation and fulfill certification requirements.

ADB = Asian Development Bank, DMF = design and monitoring framework, ESSF = environmental and social safeguards framework, IIFCL = India Infrastructure Finance Company Limited, IPPMS = investment program performance management system, PFR = periodic financing request, PMU = project management unit, TA = technical assistance.

^a Scheme refers to both SIFTI and Take-out Scheme; SIFTI = Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called the India Infrastructure Finance Company Limited

B. Key Persons Involved in Implementation

Executing/Implementing Agency India Infrastructure Finance Company Limited	Officer's Name: Sanjeev Ghai Position: Chief General Manager +91 11 2345 0251 Email address: sanjeevghai@iifcl.org 8th Floor, Hindustan Times Building 18 & 20, Kasturba Gandhi Marg New Delhi-110 001
Asian Development Bank	
Public Management, Financial Sector and Trade Division	Staff Name: Bruno Carrasco Director +63 2 632 5929 bcarrasco@adb.org
Mission Leader	Tranche 1: Vivek Rao Principal Financial Sector Specialist +63 2 632 5831 vrao@adb.org
	Tranche 2: Jennifer Romero-Torres Position: Financial Sector Specialist (Capital Markets & Infrastructure) Telephone No. +63 2 632 5967 Email address: jtorres@adb.org

C. Facility Organization Structure

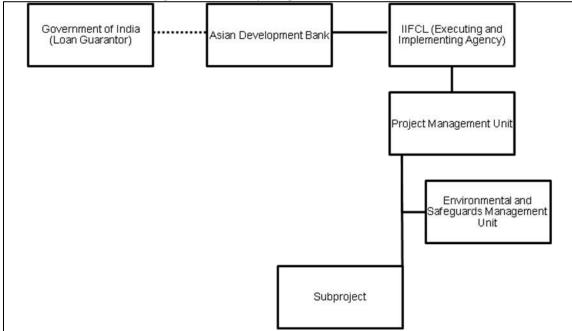


Figure 1: Facility Organization Structure

IV. COSTS AND FINANCING

1. IIFCL projects that it will need to raise \$9.4 billion through FY2019 to support its lending operations, and the Government of India has requested a loan of \$700 million from ADB's ordinary capital resources for IIFCL. ADB's loan would represent approximately 7.4% of IIFCL's anticipated borrowings.

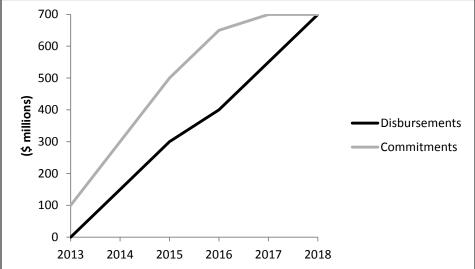
2. Loan terms under each of the periodic financing request (PFR) will have a 19.5-year term, including a grace period of 4 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15%, 5% annuity discount rate for repayment, and such other terms and conditions set forth in the facility financing agreement.

3. The government will provide a sovereign guarantee in form and substance acceptable to ADB for the term of each loan as a condition precedent to the effectiveness of each tranche.

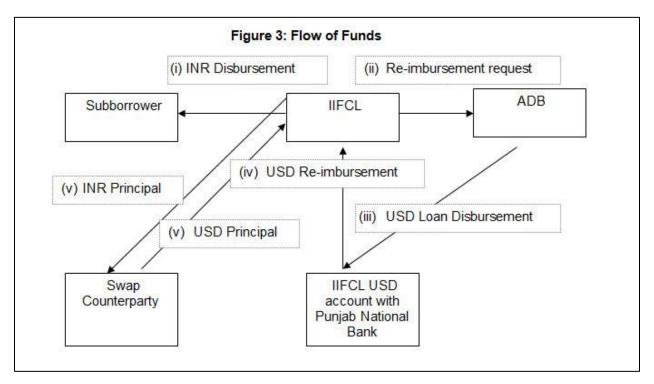
4. IIFCL will use the borrowings to fund qualified subprojects under the Scheme. IIFCL will cover up to 20% of project costs for greenfield projects and up to 30% of project costs for takeout financing, which is the maximum amount that IIFCL is allowed to finance under its internal procedures (see Appendix 1 for a list of indicative subprojects).

A. Commitment and Disbursement S-curve





B. Fund Flow Diagram¹



V. FINANCIAL MANAGEMENT²

A. Financial Management Assessment

5. Overall, IIFCL's financial management is adequate. IIFCL has strong support from the Government of India, adequate corporate governance and internal controls, an established record of implementing ADB facilities, and a demonstrated ability to implement institutional reforms. To complement these strengths, ADB's facility includes an action plan to assist IIFCL to further deepen its financial management (Table 2).

Table 2: Financial Management	Action Plan	
Agreed Action	Responsible Party	Agreed Completion Date
In the absence of RBI's approval of IIFCL's NBFC application, IIFCL will maintain a credit rating from an international rating agency acceptable to ADB.	PMU, IIFCL	n/a
IIFCL will institute quarterly risk management reporting to its risk committee. The presentation and discussion will address, at a minimum, changes in the risk profile of IIFCL's loan and investment portfolio and the status of IIFCL's "Implementation Plan" for its "Integrated Risk Management Systems Project" of February 2013.	PMU, IIFCL	Within 6 months of loan effectiveness of Project 1
Within six months of effectiveness of Project 1, IIFCL will finalize the implementation of an integrated management	PMU, IIFCL	Within 6 months of loan effectiveness of

Table 2: Financial Management Action Plan

¹ Applies only to Tranche 1. See Tranche 2's Project Administration Manual for applicable information.

² Applies only to Tranche 1. See Tranche 2's Project Administration Manual for applicable information.

Agreed Action	Responsible Party	Agreed Completion Date
information system to replace the current manual systems.		Project 1
IIFCL will implement on a timely basis the "Integrated Risk	PMU, IIFCL	As stipulated in
Management Systems Project" of February 2013.		IIFCL's approved
		"Implementation Plan"

IIFCL = India Infrastructure Finance Corporation Limited, n/a = not applicable, NBFC = nonbank financial corporation, RBI = Reserve Bank of India, PFR = periodic financing request, PMU = project management unit.

B. Disbursement³

6. The facility proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time)⁴ and detailed arrangements agreed upon between IIFCL and ADB.

7. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),⁵ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth in Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (SPS, Appendix 5) to subprojects financed by ADB.

8. With regard to the withdrawal application reimbursement procedures for individual subprojects:

- (i) IIFCL is required to prepare and submit a separate withdrawal application for each subproject. The withdrawal application is provided in Appendix 2 and a summary sheet is provided in Appendix 3.
- (ii) The initial withdrawal application and summary sheet of a subproject must have supporting documents including (a) subloan evaluation form that includes procurement arrangements, (b) project information memorandum, (c) safeguards compliance certificate accompanied by due diligence report, (d) environmental impact assessment or an initial environmental examination, (e) latest copy of the lenders' independent engineer's report regarding physical progress, (f) utilization certificate endorsed by lender's agent, (g) evidence of IIFCL's payment to the subproject.
- (iii) For subsequent withdrawal applications for the same subproject, IIFCL must submit (a) a withdrawal application with summary sheet; (b) the latest copy of the lenders' independent engineer's report regarding physical progress; (c) a utilization certificate endorsed by the lender's agent; and (d) an evidence of payment made by IIFCL to the subproject.

9. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing (refer to Appendix 5 of the SPS).

10. ADB will normally reimburse IIFCL in the same currency that IIFCL used for the subloan.

³ Applies only to Tranche 1. See Tranche 2's Project Administration Manual for applicable information.

⁴ Available at http://www.adb.org/documents/loan-disbursement-handbook.

⁵ Available at http://www.adb.org/site/safeguards/policy-statement

Since that will usually be in Indian Rupees, ADB will pay Indian Rupees into any account that IIFCL nominates. ADB may also reimburse IIFCL in equivalent US dollar adopting the prevailing spot rate on the date that IIFCL makes a disbursement. ADB disbursements will be through real time gross settlement system of India, wherein ADB transfers rupees into its bank in India, who will transfer to IIFCL's bank in India through the real time gross settlement system. IIFCL may then enter into a currency swap with a local counter-party to hedge its risk.

11. If IIFCL opts to receive US dollars, it will have to provide ADB with US dollar account details. If the account is not inside the United States, IIFCL will also have to provide ADB with a correspondent bank in the United States. ADB will transfer US dollars using the swift protocol. If IIFCL's offshore account is in the euro zone, IIFCL will provide ADB with the International Bank Account Number (IBAN) code.

12. Before the submission of the first withdrawal application, IIFCL should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications together with the authenticated specimen signatures of each authorized person.

13. The minimum value per withdrawal application is US\$100,000 unless otherwise approved by ADB.

14. In accordance with ADB's MFF guidelines, retroactive financing up to 20% of the proceeds of the first tranche will be permissible for past disbursements that have occurred at most 12 months prior to loan signing. In all cases of retroactive financing, the subborrower will carry out and operate the subproject in accordance with sound administrative, financial, economic, engineering, environmental, social safeguards, and business practices, including maintenance of adequate accounts and records. The subproject would be procured under guidelines acceptable to ADB. The selection of the subproject will be in accordance with subproject and subborrower selection criteria and approval process as indicated in paragraph 16 and will include compliance with IIFCL's ESSF.

15. ADB may, subject to its policies and procedures, allow on request, a free limit for IIFCL of up to \$30 million for qualified subprojects. Based on ADB's assessment of IIFCL's operating performance, appraisal standards, portfolio quality, average loan size, and the subproject pipeline, ADB may consider expanding the free limit to takeout financing for the second tranche.

C. Subproject and Subborrower Selection Criteria

16. The SIFTI provides definitions, eligibility criteria, appraisal, and monitoring and lending terms to subprojects. Thus, the eligibility requirements for subproject and subborrower selection criteria of AIIFI will adhere to SIFTI which includes, *inter alia*, appraisal of the subproject by the designated specialized appraisal agency for technical, economic, and commercial viability and review and acceptance of the results of the appraisal by the lead bank.⁶ In addition, subprojects will be required to meet the ADB requirements as well as to follow the subproject approval procedures details of which are stipulated in the Loan Agreement, FFA, and will include safeguard and procurement compliance requirements.

⁶ IIFCL's Scheme requires IIFCL to only finance commercially viable projects and provide financing on commercial terms and price loans accordingly. Thus, all aspects of project economics and credit worthiness with regard to subprojects are subject to extensive due diligence prior to loan approval by IIFCL. Further, as the Scheme requires IIFCL to finance subprojects in critical infrastructure subsectors only, the positive development impact is a given.

D. Accounting

17. IIFCL will through its PMU maintain separate books and accounts relating to all subloans financed out of ADB's loan proceeds relating to this Facility. IIFCL will separately prepare and submit to ADB in the English language within 6 months of the end of the fiscal year according to generally accepted accounting principles the audited 'Statement of Subprojects approved and reimbursed by ADB' (Statement of Subprojects). The Statement of Subprojects will be prepared using the same accounting principles and guidelines as IIFCL's statutory financial statements.⁷

18. In addition, IIFCL will also submit a copy of its own Entity-Level Audited Financial Statements, together with the auditors' report and management letter, will be submitted in the English language to ADB within one month after their approval by IIFCL's board of directors.

E. Auditing

19. The Statement of Subprojects will be subject to audit by an independent auditor appointed by IIFCL's Audit Committee of the Board of Directors. The audit will be conducted in accordance with national auditing standards applicable in India. The audit opinion will include the auditor's review of subprojects approved by ADB and will address (i) whether or not the Statement of Subprojects presents fairly, in all material respects, subprojects funded by ADB. (ii) whether or not loan proceeds were used only for the purposes of the facility/project under the related tranche; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project under the related tranche; and (iv) if applicable, the use of the statement of expenditure procedure certifying to the eligibility of those expenditures claimed under SOE procedures in accordance with ADB's Loan Disbursement Handbook and the legal agreements for the project under the related tranche. The audit report will also include an Audit Management Letter (which sets out the deficiencies in the internal control of the project under the related tranche that were identified in the course of the audit, if any). A sample audit letter is in Appendix 4.

20. To support timely submission, the Statement of Subprojects should be submitted to the independent auditor for audit within 3 months of the end of the fiscal year.

21. Review missions and normal facility supervision will monitor compliance with financial reporting and auditing requirements and will follow up with concerned parties, including the external auditor.

22. ADB has made IIFCL aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited Statement of Subprojects and Entity-Level Financial Statements.⁸ ADB reserves the right to require a change in the

⁷ The Statement of Subprojects and its audit by an independent auditor satisfies the requirements of Section 5.06(iii) of the Loan Agreement. IIFCLs statutory financial statements are prepared in accordance with Indian Accounting Standards.

⁸ ADB Policy on delayed submission of the audited Statement of Subprojects and Entity-Level Financial Statements: (i) When either the Statement of Subprojects or Entity-Level Financial Statements has not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next six months, requests for new commitments and disbursement, processing of new reimbursement, and issuance of new commitment letters will not be processed; (ii) When either the Statement of Subprojects or Entity-Level Financial Statements has not been received within 6 months after the due date, ADB will withhold processing of requests for new commitments and disbursement , processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise

auditor (in manner consistent with the articles of association and а memorandum of association of the borrower, or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB retains the right to verify or have audited (i) any subproject, (ii) the validity of IIFCL's certification for each withdrawal application, and (iii) that ADB's financing is used in accordance with ADB's policies and procedures.

23. Public disclosure of the Audit Opinion and related Statement of Subprojects will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose these within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter and the Entity-Level Audited Financial Statements will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

24. All procurement to be financed under an ADB loan will be carried out in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).⁹ ADB will encourage IIFCL to require its subborrowers to adopt internationally competitive bidding procedures to the extent possible when the amount of the investment is unusually large and economy and efficiency can be gained by following such procedures. For procurement of goods and services to be financed by subloans from the ADB loan, IIFCL will ensure that the price paid is reasonable and that account is taken of factors such as time of delivery, efficiency, and reliability. For build-operate-transfer projects and their variants, if the subproject sponsor or engineering procurement and construction contractor is selected through competitive bidding among international entities in accordance with procedures acceptable to ADB, such engineering procurement and construction contractor may apply its own procedures for produced in ADB member countries.

VII. SAFEGUARDS¹⁰

25. ADB took the lead while processing the first India Infrastructure Project Finance Facility (IIPFF I) to develop a common environmental and social safeguards framework (ESSF) in consultation with the Japan Bank for International Cooperation, KfW, and the World Bank.¹¹ IIFCL adopted the ESSF, which is uploaded to its website.¹² The ESSF was updated during the processing of IIPFF I in 2010. IIFCL again revised and updated the ESSF in July 2013. Following IIPFF I, IIFCL has further developed the capacity of its environmental and social safeguards management unit (ESMU) with support from ADB and other development partners.

26. IIFCL will ensure that all subprojects under AIIFI will continue to comply with the

that the loan may be suspended if the audit documents are not received within the next six months; and (iii) When audited either the Statement of Subprojects or Entity-Level Financial Statements has not been received within 12 months after the due date, ADB has the option to suspend the loan.

⁹ ADB. 2013. *Procurement Guidelines*. Manila.

¹⁰ Applies only to Tranche 1. See Tranche 2's Project Administration Manual for applicable information.

¹¹ The ESSF includes (i) the anticipated impact of the subprojects financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) safeguards criteria to be used in selecting projects; (iii) requirements and procedures to be followed to screen and categorize projects, conduct impact assessments, develop management plans, hold public consultations, and disclose public information (including the 120-day disclosure rule, if required), and monitor and report the progress of such projects or project components; (iv) the institutional arrangements (including budget and capacity requirements); and (v) IIFCL and ADB's responsibilities and authorities for the preparation, review, and clearance of safeguards documents.

¹² Available at http://www.iifcl.org/WriteReadData/UserFiles/file/ESSF.pdf.

requirements of the ESSF (2013) and that its ESMU has sufficient and qualified staff.

VIII. GENDER AND SOCIAL DIMENSIONS

27. The facility has minimal gender dimensions. However, IIFCL will work with its subborrowers to encourage that they identify and maximize opportunities for women's participation in all employment opportunities during construction, operation, and maintenance of the subprojects with and to promote adherence to national core labor standards and commitments to gender equality and women's empowerment as consistent with the Government of India's legislations and regulations.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

	Performance Targets and	Data Sources and	Assumptions and
Design Summary	Indicators with Baselines	Reporting Mechanisms	Risks
Impact Increased availability of infrastructure	Infrastructure investment to increase to reach 10% of GDP by FY2023 (baseline: average investment over Eleventh Five-Year Plan at 7.22% of GDP) Private investment accounts for 47% of total infrastructure investment by FY2023 (baseline: private sector investment at 38% of total infrastructure investment in Eleventh Five-Year Plan)	For all indicators for impact: Planning Commission infrastructure reports, Annual Economic Survey of India RBI banking survey and annual reports	Assumption Delivery mechanisms and enabling environment for infrastructure investment strengthened
Outcome Facilitated private sector investment in infrastructure PPPs	Catalyzing over \$3.5 billion of private sector investment for financially closing subprojects by FY2019	IIFCL annual reports Infrastructure sector reports from research institutions	Assumptions Sector specific reforms continue Equity investors remain engaged in infrastructure Risk Borrowing costs increase significantly making financial closure difficult
Output 1. Enhanced availability of long- term finance for	By FY2019, 30 PPP subprojects financed under the facility	IIFCL semiannual and annual reports, and IIFCL PMU progress	Assumption Pipeline of subprojects comply with both the Scheme and ADB

A. Facility Design and Monitoring Framework¹³

¹³ Applies only to Tranche 1. See Tranche 2's Project Administration Manual for applicable information.

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
PPP subprojects	 (i) 25 subprojects through direct financing (greenfield subprojects) (ii) 5 subprojects through take-out finance (iii) maximum amount of \$280 million of bank capital released for fresh greenfield subprojects through take-out finance 	reports	requirements ^a Risks IIFCL's portfolio quality deteriorates Key staff in ESMU leaves IIFCL
2. Improved project management	Timely disbursement of tranches A free-limit of \$30 million for direct financing introduced by April 2014 At least six PMU staff per year trained for risk assessment and credit appraisal beginning 2014 Quarterly risk	For all indicators for output 2: IIFCL annual reports providing details of product offerings	
	management reporting to risk management committee of IIFCL by July 2014 Transition to an integrated management information system by July 2014 ESMU of IIFCL fully staffed by December 2014		
	Capacity upgraded periodically through training beginning April 2014		
Activities with Milester	ones		Inputs
 Enhanced availability of long-term finance for PPP subprojects 1.1 Identify and finalize subproject pipeline to be financed by ADB funds (March 2013–October 2013) 1.2 Commence due diligence of five sample subprojects by ADB (May 2013) 1.3 Finalize financial management assessment on IIFCL by ADB (October 		ADB (ordinary capital resources): \$700 million Local market borrowings:	
2013)	-		\$6.53 billion
 1.4 Update and revise the ESSF of IIFCL (October 2013) 1.5 Commence due diligence of subprojects by IIFCL (ongoing from April 2014 until 2019) 			Foreign borrowings: \$1 billion

Improved project management (continues to 2019) Equity and reserve:
Identify list of subprojects and submit PFR for first tranche of \$400 million \$1.20 billion by September 2013
Negotiate and sign PFR for first tranche by FY2014
Fully utilize the first tranche by end of December 2016
Identify list of subprojects for second tranche of \$300 million by FY2015
Submit PFR for second tranche for release by December 2015
Fully utilize second tranche of \$300 million by 31 March 2019
Identify PMU staff for training on risk management and credit appraisal in the first quarter of each year (ongoing until 2018)
Conduct quarterly risk management assessment and prepare report to IIFCL's risk management committee by July 2014
Implement transition to an integrated management information system by July 2014
Complete the IIFCL's implementation plan for internal risk management by July 2016
Regularize the post of ESMU head by April 2015
Commence recruitment of remaining position in ESMU by April 2014

ADB = Asian Development Bank, ESMU=environment and safeguards management unit, GDP = gross domestic product, IIFCL = India Infrastructure Finance Company Limited, PFR = periodic financing request, PMU = project management unit, PPP = public-private partnership, RBI = Reserve Bank of India, SIFTI = Scheme for Financing Infrastructure through IIFCL.

^a Scheme refers to both the scheme for financing viable infrastructure projects through a special purpose vehicle called the IIFCL and the take-out scheme.

Source: Asian Development Bank.

B. Monitoring

28. ADB will, at its discretion, conduct reviews of the management, financial, and operational performance of the borrower and subprojects financed under the AIIFI initially after the closing of withdrawals. The review will include procurement procedures utilized by the AIIFI-financed infrastructure projects.

The performance of AIIFI will be reviewed periodically at three levels-by IIFCL, 29. (through the PMU on a quarterly basis), semi-annually by IIFCL's Board of Directors, and annually by ADB, and at the tripartite review meetings among the Government of India, ADB and IIFCL. The review of performance for each quarter by the PMU will be completed by the 10th day of the month following the guarterly review. IIFCL's Board of Directors will review the performance semi-annually and will forward the semi-annual progress reports to ADB by the 10th day of the month following the semi-annual review. ADB will review the quarterly progress and semi-annual reports during the annual review missions and during the tripartite reviews chaired by the government. In addition, a midterm review of the investment program will be conducted in 2015. The review will cover contract awards and disbursement, implementation progress including progress against institutional development and capacity building milestones, social and environmental aspects, and the status of the investment program performance management system (IPPMS). The midterm review will identify problems or weaknesses in the implementation arrangements, suggest nominal changes in scope, outputs, and due diligence, and agree on suggested changes.

C. Evaluation

30. ADB will review IIFCL's quarterly progress reports and semiannual reports and undertake semiannual review missions.

31. ADB will conduct a midterm review in 2017. The review will cover disbursements, implementation progress, ESSF implementation, and the status of the DMF. The review will identify weaknesses and suggest changes in scope, outputs, and due diligence, as required.

D. Reporting¹⁴

32. IIFCL will provide ADB with:

- (i) Semiannual progress reports within 10th day after the close of the half year in a format consistent with ADB's facility performance reporting system;
- (ii) Consolidated annual reports including (a) progress achieved by output as measured through the DMF; (b) key implementation issues and solutions; (c) updated implementation plan for next 12 months; and
- (iii) A facility completion report within 6 months of the completion of the facility.

33. The semiannual progress reports will provide (i) a narrative description of progress made during the review period (to include the implementation of the Deloitte recommendations on risk management); (ii) changes in the implementation schedule; (iii) problems or difficulties encountered; and (iv) activities for the next period. The progress reports will also include a summary financial account for the subproject components consisting of subproject expenditures during the period, total expenditures to date, and benefits monitoring in accordance with procedures acceptable to ADB. A pro forma quarterly and semiannual report is included in Appendix 5.

E. Stakeholder Communication Strategy

34. The communications requirements of the MFF at the overall ADB project level are minimal since there are no direct social or environmental impacts or behavior change activities stemming from the financing facility. Communications activities will therefore focus on media and corporate communications regarding the value of ADB's sustained partnership with IIFCL and the potential and actual positive outcomes made possible by the MFF. These can contribute to encouraging active use of the facility and raising broad awareness of ADB, IIFCL, and the benefits of improved infrastructure.

35. However, the MFF will indirectly finance a variety of infrastructure projects such as roads, airports and energy projects, which have the potential for large and sustained social and environmental impacts. All projects financed by the MFF need to comply with standardized safeguards planning, which includes tailored communications plans. Compliance should be led by the project companies themselves with monitoring from IIFCL and ADB. This project communications strategy will need to be updated accordingly as the need arises.

X. ANTICORRUPTION POLICY

36. ADB reserves the right to investigate, directly or through its agents, any violations of the

¹⁴ Applies only to Tranche 1. See Tranche 2's Project Administration Manual for applicable information.

Anticorruption Policy relating to the Facility.¹⁵ All contracts financed by ADB must include provisions specifying the right of ADB to audit and examine the records and accounts of IIFCL and subborrowers, suppliers, consultants and other service providers. Individuals and entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activities and may not be awarded any contracts under the Facility.¹⁶ To support these efforts, relevant provisions are included in the facility agreement.

37. Under IIFCL's operations manual, IIFCL discloses to its board all financial relationships and transactions of nonexecutive directors in its annual report. The compensation of all board members is also disclosed. IIFCL management is required to disclose to the board all material, financial, and commercial transactions where members of management have a personal interest and transactions where such members have a potential conflict of interest with the interests of IIFCL.¹⁷ In the event that a director is an interested party in a transaction (based on disclosure), the director may not, in any way, take part in or influence arrangements in the transaction, in accordance with Section 300(1) of the Companies Act.

38. IIFCL has a "whistle blower" and a "fraud prevention and detection policy" policy to maintain ethical standards. Staff who notices unethical or improper practices are able to approach the audit committee without informing their supervisors. On review of the compliance, the audit committee designates an investigation officer, who is required to submit a report within 30 days, or 3 months if the case has vigilant overtones. The case may then be investigated interdepartmentally or may be entrusted to the Central Bureau of Investigation. Once an investigation is initiated, the interdepartmental authorities or the Central Bureau of Investigation are responsible for conducting the entire process to its logical conclusion including drafting of the charge sheet and conduct of criminal proceedings.

XI. ACCOUNTABILITY MECHANISM

39. People who are, or may in the future be, adversely affected by the facility may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted facilities can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁸

XII. RECORD OF FAM CHANGES

40. This section will retain all revisions and updates that occur during implementation to provide a chronological history of changes. During the preparation of Tranche 2, the following changes were made to the FAM:

- i. Mission leaders updated;
- ii. Cross-referenced Tranche 2's Project Administration Manual for those sections of the FAM where Tranche 2 has separate procedures; and
- iii. Submission of IIFCL's financial statements changed from 6 months after the fiscal

¹⁵ Available at: http://www.adb.org/sites/default/files/pub/1998/anticorruption.pdf.

¹⁶ ADB's Integrity Office web site is available at: http://www.adb.org/site/integrity/main.

¹⁷ Nondisclosure is a punishable offense under Section 299(4) of the Companies Act.

¹⁸ For further information see: http://www.adb.org/Accountability-Mechanism/default.asp.

year to 1 month after IIFCL's board approval of the financial statements.

INDICATIVE LIST OF SUBPROJECTS

SL. No.	Name of Project	Sector	State	Project Cost (in Crores)	Net Sanction (In Crores)
A. DI	Western UP Power Transmission				
1	Co. Ltd.	Transmission	Uttar Pradesh	5050.00	750.00
	Jabalpur Transmission Company		Madhya		
2	Ltd.	Transmission	Pradesh	1160.00	190.00
	Bhopal Dhule Transmission		Madhya		
3	Company Ltd.	Transmission	Pradesh	1700.00	340.00
	Bothe Windfarm Development Pvt.				
4	Ltd.	Power- Wind	Maharashtra	1308.00	150.00
_	Krishnapatnam Railway Company	Della	Andhra	4000.00	070.00
5	Ltd.	Railway	Pradesh	1396.00	279.00
•		Urban			50.00
6	Orange City Water Private Limited	Infrastructure	Maharashtra	578.00	50.00
_	GVK Bagodara Vasad	- ·			
7	Expressway Pvt. Ltd.	Road	Gujarat	1189.03	200.00
8	BSCPL Aurang Tollways Limited	Road	Chhatisgarh	1236.00	168.00
9	Hospet Chitradurga Tullways Ltd.	Road	Karnataka	1102.81	100.00
	IVRCL Raipur Bilaspur Tollways				
10	Ltd.	Road	Chhatisgarh	1285.96	244.00
11	Patna Baxur Tollways Ltd.	Road	Bihar	1507.27	238.00
			Madhya		
12	Vindhyachal Expressways Pvt Ltd	Road	Pradesh	1272.50	120.00
		_	Maharashtra		
13	Solapur Bijapur Tollways Pvt Ltd	Road	and Karnataka	1183.60	160.00
	Cidhi Cia ana di Dagad Dagia ata 1 tal	Deed	Madhya	1001.10	450.00
14	Sidhi Singrauli Road Projects Ltd	Road	Pradesh	1094.16	150.00
45	Essel Walajahpet Poonamallee	Deed	Toroit Madu	4540.04	404.00
15	Toll Road Pvt. Ltd.	Road	Tamil Nadu	1548.61	164.00
10	Transstroy Karnataka-Kerela-		Karnataka and		4 4 9 9 9
16	Kannur Tollways Pvt. Ltd.	Road	Kerala	1157.89	140.00
17	Jind Haryana Toll Road Pvt Ltd	Road	Haryana	515.00	100.00
18	Transstroy Obedullaganj-Betul Tollways Pvt. Ltd.	Road	Madhya Pradesh	982.95	160.00
10	Chetak Tollways Ltd.	Road	Rajasthan	962.95 577.08	115.00
20	ACP Tollways Pvt. Ltd.	Road	Uttar Pradesh	1757.39	240.00
21	Agra Etawah Tollways Ltd.	Road	Uttar Pradesh	16.84.5	200.00
22	Sai Maatarani Tollways Ltd.	Road	Orissa Andhra	2320.00	280.00
23	L&T Deccan Tollways Ltd.	Road	Pradesh	1272.50	254.50
20	Lar Doodan Tonwayo Etd.	1.000	Uttar Pradesh,	1212.00	204.00
24	Rampur Highways Project Ltd.	Road	Uttarakhand	1071.00	153.25
24	Sikar Bikaner Highway Ltd.	Road	Rajasthan	901.37	130.00
20	Shreenathji Udaipur Tollway	Nuau	1\ajastilali	301.37	130.00
26	Private Limited	Road	Rajasthan	1151.46	160.00
			Subtotal A		5235.75

SL. No.	Name of Project	State	Project Cost (in Crores)	Net Sanction (In Crores)	
В. ТА	AKEOUT FINANCE				
27	Idaa Infrastructure Pvt. Ltd.	Road	Gujarat	1409.00	277.00
28	GMR Hyderabad International Airport	Airport	Andhra Pradesh	2478.00	191.10
29	MEP Infrastructure Road Pvt. Ltd.	Road	Maharashtra	2233.00	400.00
30	Kosi Bridge Infrastructure Company Ltd.	Road	Bihar	439.61	138.88
31	Mumbai Nasik Expressway Ltd.	Road	Maharashtra	811.00	210.60
			Subtotal B		1217.58
C. SI	JBDEBT				
32	Essel Walajahpet Poonamallee Toll Road Pvt. Ltd.	Road	Tamil Nadu	1548.61	120.00
			Subtotal C		120.00
			Total A + B+ C		6573.33
		Total A +	B+ C (in \$ million)		1163.43

Asian Development Bank ADB

Direct Payment

Reimbursement

ADB Loan No.

Application No.

Type of Disbursement

WITHDRAWAL APPLICATION FOR DIRECT PAYMENT AND REIMBURSEMENT

Date:

To: Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines

Attention: Loan Administration Division, Controller's Department (CTLA)

Sir/Madam.

1. In connection with the Loan Agreement dated _____ ____ between the Asian Development Bank and the , please pay from the Loan Account: (Borrower)

The said amount is required for payment or reimbursement of eligible expenditures in the said currency as described in the attached Summary Sheet(s).

- 2. The undersigned certifies and agrees as follows:
 - a. these expenditures were/are/will be made for the purposes specified in the Loan Agreement and the undersigned has not previously withdrawn from the Loan Account or obtained or will obtain any other loan, credit, or grant for the purpose of fully or partially meeting these expenditures.
 - b. the goods or services have been procured in accordance with the Loan Agreement and the cost and terms of the purchase thereof are reasonable and in accordance with the relevant contract(s).
 - the goods or services were or will be produced in and supplied by a member country of ADB as specified in the attached c. Summary Sheets(s).
 - d. for expenditures claimed on the basis of a Statement of Expenditures (SOE), all authenticating documents have been retained in the location shown on the individual SOE Summary Sheets and will be made available for review by auditors and ADB representatives upon request.
 - e. as of the date of this application, there is no existing default under the Loan Agreement, the Project Agreement or the Guarantee Agreement, if any.
 - f. if any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the Loan Account or, if the amount is small, applied to the next loan service payment due.

3. Payment Instructions:

····,··		
	A. Payee's Name and Address	
	Payee's Name	
	Payee's Address	
	B. Name and Address of Payee's B	ank and Account No.
	Bank Name	
	Bank Address	
	Payee's Account No.	
	SWIFT Code	
	C. Correspondent Bank (If Payee's	Bank is not located in the Country whose currency is claimed, enter the name
	and address of their bank's cor	spondent in the country whose currency is to be paid.)
	Bank Name	
	Bank Address	
	Account No. of	
	Payee's Bank	
	SWIFT Code	
	D. Special Payment Instructions an	J Other References
4. This	application consists of page	including pages of Summary Sheets.
From:		
	Name of Borrower	
	Signature of Authorized Represent	tive(s)

Printed Name/Position/Title of Authorized Representative(s)

Instructions in preparing the Withdrawal Application Form for Direct Payment and Reimbursement (ADB Form ADB-DRP/RMP)

General Instructions

1. Submit original Withdrawal Application (WA) to the Asian Development Bank (ADB) (or to its Resident/Regional Mission, if instructed).

2. Prepare separate WA for each currency of payment and for each payee.

3. Number WAs consecutively, not exceeding five digits/characters.

4. Consolidate claims until the amount being withdrawn is at least US\$100,000 equivalent or an amount advised by ADB.

5. When completed, verify the application for completeness of supporting documentation and accuracy of details before passing to the Authorized Representative(s) for signature. Mistakes and omissions result in delayed payment.

Withdrawal References

1. Date: Enter the date the WA is signed by Authorized Representative(s), not the date it was prepared.

2. Loan Number: Show ADB loan number clearly.

3. **Application Number:** Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA. For example : A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.

4. **Type of Disbursement:** Indicate in the appropriate box the type of WA claim, whether for Direct Payment or Reimbursement Procedure.

Payment Instructions

1. Payee Name and Address: Indicate full name and address of Payee for identification of payment.

2. Name and Address of Payee's Bank and Account No.: Indicate full name and address of the Payee's bank, which may include a banker/branch designation. Account number is important. Give SWIFT code if Payee's bank is a member of SWIFT.

3. **Correspondent Bank:** Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.

4. **Special Payment Instructions:** Indicate any particulars, special instructions or references to facilitate payment or identification of payment.

5. Name of Borrower: Fill in name as it appears in the Loan Agreement.

6. Authorized Representative(s): Pass this application only to Authorized Representative(s) for signature. Verify if the list of Authorized Representative(s) has been changed.

SUMMARY SHEET FOR DIRECT PAYMENT/REIMBURSEMENT/REPLENISHMENT/LIQUIDATION

Asian Development Bank	AD

	Summary Sheet No.: Date: No. & Title of Category/Subcategory:			ADB Loan No Application No	ADB Loan No.:				Supporting Documents Attached (please mark with an X)				
Item No.	No. & Date of Contract/PO	PCSS No.	Description of Goods and Services	Name and Address of Supplier	Date of Payment (Due)	Total Amount	ADB Disbursement %	Amount Requested for Withdrawal	Remarks ^a	Contract/ Purchase Order ^b	Invoice/ Bill/ Claim	Certificate ^c	Receipt or Evidence of Payment
												8 8	
											а – Ба		
	PO: Purchase Or	der. PCSS: Pr	ocurement Contract Summ	nary Sheet.	Total		Total (d)	-					

Notes:

a Indicate against each item whether the payment is a down payment, or an installment payment (if so, the number of installment).
 b In case this was sent earlier, reference the earlier letter in a footnote using an asterisk (*).
 c In case of civil works contract, a duly signed progress or interim certificate should be submitted.
 d Ensure that amount agrees with the sum indicated in the withdrawal application. Indicate the actual foreign exchange rate used for each item if needed.

ADB Form No. ADB-DRP/RMP/IFP-SS

SAMPLE AUDIT LETTER

ASIAN DEVELOPMENT BANK

Regional Department Sector Division/Regional or Resident Mission

[Date]

[The Borrower] Dear Sir/Madam:

Subject: Accelerating Infrastructure Investment Facility in India Financial Reporting and Auditing Requirements

1. This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Facilitys Financed by the ADB* (the Booklet) is enclosed to guide you.

2. ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes in which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

3. For this particular facility, the requirements are stipulated in sections _____ and _____ of the loan agreement of ______ between ADB and IIFCL and sections _____ and _____ of the facility agreement of ______ between ADB and IIFCL. Copies of the loan/facility agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

4. The following are the main requirements:

ADB requires IIFCL to maintain separate accounts and records related to the facility to ensure that the loan funds were used only for the objectives set out in the loan or facility agreements.

The first audited 'Statement of Subprojects' to be submitted to ADB covers the fiscal year ending ______. As stipulated in the loan or facility agreements, they are to be submitted up to six months after the end of the fiscal year. For this loan, the deadline is by ______. A sample report format, with explanatory notes, is attached as Annex A.

The accounts and records for the facility are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

Please ensure that your external auditor specifies in the auditor's report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the auditor's report by disclosing the key audit procedures followed.

ADB prefers that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used,

request that your external auditor to indicate in the auditor's report the extent of any differences and their impact on the audit. The external auditor should give his opinion whether or not the Statement of Subprojects presents fairly, in all material respects, subprojects funded by ADB.

The external auditor's opinion is also required on whether:

- the proceeds of ADB's loan have been utilized only for the facility as stated in the loan agreement;
- the financial information contains data specifically agreed upon between [name of the Borrower or EA] and ADB to be included in the financial statements;
- the financial information complies with relevant regulations and statutory requirements; and
- compliance has been met with all the financial covenants contained in the loan or facility agreements.

The auditor's report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.

The audit report should also be accompanied by an Audit Management Letter (which sets out any deficiencies in the internal controls that govern the facility and that were identified in the course of the audit, if any).

Actions on deficiencies disclosed by the external auditor in its report are to be resolved by IIFCL within a reasonable time. The external auditor is to comment in the subsequent auditor's report on the adequacy of the corrective measures taken by IIFCL.

Compliance with these ADB requirements will be monitored by review missions and during normal facility supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Director/Country Director (Sector Division/Regional or Resident Mission)

cc: IIFCL (External auditor of the Borrower or EA) , PRYDS Associates (Chosicoul Accountants) M. Crombers, 953-84, Proc. Let Bond, Nucl. Bond, Korill Bigh, New Distr., 110000 [in], 41848122, 2009108268, 2505006500

ANNEXURE - 1 to Certificate No. 221 Dt. 30.09.2012

Details of sub-projects Approved & reimbursement received from	ADB under Loan No.2404 & 2509 (IIPFF-1) As on 31.03.2012

S No.	Project Name	cost (Rs.	Loan sanctioned by HFCL (Rs)	ADB Commitment (Rs)	Amount Received (Rs)	Amount Received [5]	Balance (Rs)
1	LST Western Andree Tollways PvL £ld.	373.53	400,000,000	123,950,256	123,950,258	2,587,899.79	e
2	Tirchy Tollways Ltd.	747 56	559,200,000	659 192,000	\$59,192,009	12.885.905.89	10R21
3	GMR Ulunderpet Expressways Pvt. Ltd.	795.00	769,900,000	769,960,000	769,900,000	18.111.076.44	
4	MVR Infrastructure and Tollways Ltd.	256,30	500,000,000	403,706,000	403,706,000	8.927,241.34	
5	Indu Navayuga Infra Projects Pvt, Ltd.	411.00	\$60,000,000	509,000,000	500,000,000	11,279,119,74	2
6	L&T Vedodara Bharuch Tollways Ltd	1450.00	1,000,000,000	654,570,890	654,870,690	14,571,461.38	white an example
7	Oriental Pathways(Indore) Pvt. Ltd.	850,00	1,300,000,000	1,300,000,000	1,262,813,580	27,643,740,30	37,186,420
8	Raipur Expressways Ltd.	286.00	400,000,000	350,000,000	337,700,000	6,928,633.79	12,300,090
9	Oriental Pathways (Nagour) Pvt Ltd	317.84	500,000,000	505,000,000	500,000,000	11,836,718,72	
10	Lucknow Sitapur Expressways Pvt. Ltd.	450.41	470,000,000	470,000,000	454,600,000	9,695,925.68	15,400,000
11	Oriental Pathways(Agra) Pvt. Ltd.	224.00	300,000,000	300,000,000	300,000,000	6,841,719.45	
12	Ahmedabad Ring Road Infrastructure Ltd	514.96	500,000,000	492,900,000	492,900,000	11,930,445.63	
13	Kumarpalvam Tollways Ltd.	421.00	490,000,000	305,037,420	304,990,143	6,257,112.65	47,277
14	Salem Tollways Ltd.	501.00	330,000,000	211,126,010	211,125,010	4,476,532,34	1,000
括	DS Toll Road Ltd.	415.00	750,000,000	491,150,636	491,150,635	10,467,989.52	
16	NK Toll Road Ltd.	344.76	300,000,000	216,013,041	216,013,041	4,550,054.63	
17	L & T Interstate Road Corridor Ltd.	553.76	1,000,000,000	928,000,000	859,224,862	16,423,299.68	68,775,138
18	Delhi International Airport Ltd.	00.0088	5,000,000,000	2,800,000,000	2,800,000,000	57,595,896.26	in the second
19	Madural Tuticom Expressways Ltd.	920,00	1,500,000,000	1,148,900.000	1,146,100,000.00	23,887,343.35	2,800,000
20	Ashoka Highways (Bhandra) Ltd.	535.00	900,000,000	900,000,000	847,900,000.00	17,654,718.71	52,100,000
21	Ashoka Highways (Durg) Ltd.	580.00	950,000,000	950,000,000	918,863,047.00	19,733,659.17	31,136,953
22	SU Toll Road Ltd	1061.00	1,200,000,000	1,200,000,000	1,046,300,000.00	22,588,307.02	153,700,000
23	TK Toll Road Ltd	731.84	900,000,000	900,000,000	826,100,000.00	18,015,191.22	73,900,000
24	TD Toll Road Ltd	537.32	750,000,000	750,000,000	715,000,000.00	15,385,470.26	35,000,000
25	Mumbel International Airport Ltd.	5825.80	3,480,000,000	2,863,100,000	1,824,949,780	39,607,594.61	1,038,150,240
.26	Nirmal BOT	318.00	600,000,000	600,000,000	600,000,000	12,886,148.42	1
27	West Haryana Highway Projects Pvt.Ltd.	586.05	1,010,000,000	1,010,000,000	881,580,000	19,191,357.00	128,440,000
28	Jaora-Nayagaon Tolt Road Co.	843.00	1,200,000,000	1,200,000,000	1,115,444,023	24,584,153.15	84,555,977
29	Western MP Infrastructure Toll Roads Pvt. Ltd.	728,57	1,400,000,000	1,400,000,000	1,400,800,000	30,109,148.87	
30	Gwalior Bypass Project Pvt.Ltd.	332.12	650,000,000	560,056,250	519,596,333	11,504,736.19	40,459,917
	TOTAL - 'A'	30,600.62	29,609,100,000	24,857,902,303	23,083,949,381	499:989.999.98	1,773,952,922

24

						iter field	122, 1997105868, 76050
ANNI	EXURE - I to Certificate No. 221 Dt. 30.08.201	2					
Deta	ils of sub-projects Approved & reimbu		eived from ADB u	nder Loan No.2586	IND (IPFF-II) As a	on 31.03.2012	
S No.	ProjectNome	enst (Rs.	Loan sanctioned by fIFCL (Rs)	ABB Commitment (Rs)	Amount Received (Rs)	Amount Received (5)	Bolone (R)
	SRVv Nevagoga Borvatin Tollweya Pyticad	782-00	1,260,600,020	1,200,000,000	1,149,100,000	25.406,895.43	50,906,06
14	Coastal Gujarat Power Ltd.	17024.00	15,000,000,000	15.357.000.000	6,690,500,800	135-329-818.84	9,246,500.00
9	Hinsələyən Expressivaya Ltd.	476,00	690,000,000	690,000,008	500,800,000	11.042,998.90	189,200.60
4	Badarpur Faridabad Tollway Ltd.	572.00	680,000,000	660,000,000	669,777,947	14,769,083,73	10,222,05
S.	Jaypee Infratech Ltd	9739.29	5,250,000.000	2:931,000.000	1,091,946,639	23,451,203.00	1.839.053.36
	TOTAL - 'B'	28,592.29	25,820,000,000.00	20,838,000,000.00	9,502,124,586.00	210,000,000.00	11,335,875,414.0
			Service States and	We the me states	100-100-100-100-100	and the second second	
	ils of sub-projects Approved & reimbu		eived from ADB u	nder Loan No.2717	-IND (IIPFF-II) As a	on 31.03.2012	
S No.	Project Name	cost (Rs.	Loan sanctioned by IIFCL (Rs)	ADB Commitment (Rs)	Amount Received (Rs)	Amount Received (\$)	Balanc (R
1	Pune Solapur Expressways (P) Ltd	1371.00	1,000,000,000	\$94,786,000	577,696,000	12,444,531.49	417,090.00
2	Soma Isolux Kishangarh Beawar Tollway P.Ltd.	1304.64	1,500,000,000	1,500,000,000	1,136,300,000	24,395.766.72	363,700,00
3	Jaypee Infratech Ltd	9739.29	5,250,000.000	3,839,100,000	1,838,059,103	38,802,546.79	40,89
4	Bedarpur Faridebad Tollway Ltd.	572.00	690,000,600	10,222,053	10,222,053	221,496.27	
5	Coastal Gujarat Power Ltd.	17024.00	18,000,000,000	9,246,500,000	2,088,000,000	42,210,432,06	7,168,500,00
6	SEW Navayuga Barwani Tollways Pvt.Ltd.	782.00	1,200,000,000	50,900,000	13,800,000	280,373,83	37,100.00
7	Dhule Palesener Tollway Ltd.	1420.00	1,200,000,000	779,718,311	458,836,288	8,799,308.91	320,882,02
8	Some Isolux Surst Hazira Tollway Ltd.	2418.65	2,200,000,000	1,650,000,000	462,000,000	8,883,790.26	1,188,000,00
9	L & T Halol Shamlaji Tollway Pvt.Ltd.	1305.00	1,250,000,000	726,000,000	343,100,000	6,677,096.50	382,900,00
	TOTAL - 'C'	35,936.58	32,280,000,000.00	16,796,226,364.00	6,928,013,444.00	142,715,342.74	9,868,212,920.0
125	GRAND TOTAL + 'A+B+C'	95,129.49	87,709,100,000.00	62,492,128,867.00	39,514,087,411.00	852,715,342.72	22,978,041,256.0
	New Delhi 30.08.2012						Devendra Kurm

PRO FORMA PROJECT PROGRESS REPORT

A. Introduction and Basic Date

- 1. Provide the following:
 - (i) ADB loan number, project title, borrower, executing agency(ies), implementing agency(ies);
 - (ii) Total estimated project cost and financing plan;
 - (iii) Status of project financing including availability of counterpart funds and cofinancing;
 - (iv) Dates of approval, signing, and effectiveness of ADB loan;
 - (v) Original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
 - (vi) Date of last ADB review mission.
- **B. Utilization of Funds** (ADB loan, cofinancing, and counterpart funds)
- 2. Provide the following.
 - Cumulative contract awards financed by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with timebound projections (targets);
 - (ii) Cumulative disbursements from the ADB loan, cofinancing, and counter funds (expenditure to date), and comparison with time-bound projections (targets); and
 - (iii) Re-estimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

- 3. Provide the following.
 - (i) Status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
 - (ii) An assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
 - (iii) An assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
 - (iv) Other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

- 4. Provide the following.
 - (i) Assessment of project implementation arrangements such as establishment, staffing, and funding of the PMU;
 - Information relating to other aspects of the executing agency's internal operations that may impact on the implementation arrangements or project progress;
 - (iii) Progress or achievements in implementation since the last progress report;
 - (iv) Assessment of the progress of each project component, such as:

- a. Recruitment of consultants and their performance;
- b. Procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
- c. The performance of suppliers, manufacturers, and contractors for goods and works contracts.
- (v) Assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable targets, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress; and
- (vi) An assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

- 5. Provide the following.
 - (i) The Borrower's compliance with policy loan covenants such as sector reform initiatives and executing agency (EA) reforms and the reasons for any noncompliance or delay in compliance;
 - (ii) The Borrower's and EA's compliance with financial loan covenants including the EA's financial management and the provision of audited project accounts or audited agency financial statements; and
 - (iii) The Borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

6. Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

Project Administration Manual

Project Number: 47083-003 MFF Number: 0077 October 2015

India: Accelerating Infrastructure Investment Facility in India (Tranche 2)

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government of India (Government) and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The India Infrastructure Finance Corporation Limited (IIFCL) is wholly responsible for the implementation of ADB financed project, as agreed jointly between IIFCL and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by IIFCL of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations IIFCL and ADB shall agree to the PAM and ensure consistency with the project loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB approval of the tranche's periodic financing request, changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the facility's facility administration manual and/or Tranche 2's PAM.

Abbreviations

ADB AIIFI DEA DMF	= = =	Asian Development Bank Accelerating Infrastructure Investment Facility in India Department of Economic Affairs
ESSF	=	design and monitoring framework of the project environmental and social safeguards framework
GOI	=	Government of India
IIFCL	=	India Infrastructure Finance Company Limited
INR	=	Indian Rupee(s)
IPPMS	=	Investment program performance management system
MFF	=	multitranche financing facility
PAM	=	project administration manual
PFR	=	periodic financing request
PMU	=	project management unit
RRP	=	Report and Recommendation of the President to the Board
SIFTI	=	Scheme for financing viable infrastructure projects through a special
		purpose vehicle called the IIFCL
SOE	=	statement of expenditures
SPS	=	Safeguard Policy Statement
USD	=	United States dollars

I. PROJECT DESCRIPTION

1. The multitranche financing facility (MFF), Accelerating Infrastructure Investment Facility in India (AIIFI), involves a sovereign-guaranteed loan of \$700 million to India Infrastructure Finance Company Limited (IIFCL) to support the government's renewed effort in accelerating infrastructure growth through increased private sector investment.

2. The impact of Tranche 2 is aligned with increased investments in infrastructure under the Twelfth Five-Year Plan (2012–2017). The outcome is facilitated private sector investment in infrastructure public-private partnerships.

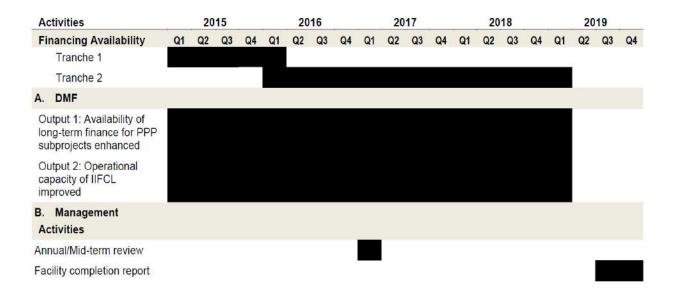
II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	Oct 2015	Feb 2016	Mar 2016–Mar 2019	Who is responsible
Tranche 2 management approval	Х			ADB
Loan and guarantee signing		Х		IIFCL, GOI
Loan effectiveness		Х		DEA, IIFCL
Disbursement			Х	ADB, IIFCL
ADB =Asian Development Bank, DE	A = Departmer	nt of Economic	Affairs, GOI = Governme	nt of India, IIFCL = India

ADB =Asian Development Bank, DEA = Department of Economic Affairs, GOI = Government of India, IIFCL = India Infrastructure Finance Corporation Limited,

B. Overall Facility Implementation Plan



III. PROJECT MANAGEMENT ARRANGEMENTS

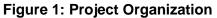
Project Management Roles and Responsibilities implementation IIFCL's roles and responsibilities as executing agency and organizations implementing agency **IIFCL** as organize audits of the audited statement of utilization of funds \geq and entity-level financial statements by chartered accountants; executina agency \triangleright adequately staff the project management unit (PMU) headed by a program director, who will be a senior staff of IIFCL for program administration, loan disbursement, accounts maintenance, and reporting to ADB: Iiaise with PMU and ADB to address any implementation issues; > prepare the biannual progress reports based on the information submitted by PMU; and > establish an investment program performance management system (IPPMS) within 3 months of the signing of the PFR including a set of clearly measurable performance monitoring indicators relating to implementation, improvements, institutional development, and capacity building milestones including those in the Design and Monitoring Framework (DMF). **IIFCL** as ensure that the subborrower and subproject selection criteria is \geq adopted in accordance with ADB procedures and IIFCL's implementing agency Scheme: implement the approval procedures for proposed subprojects; assign adequate staff to the PMU cell to implement the \triangleright environmental and social safeguards framework (ESSF) and approval procedure for the proposed subprojects; > ensure implementation of the ESSF for evaluating subprojects for ADB financing: price subloans in line with the IIFCL's Scheme; > follow all due diligence procedures including with respect to environmental and social safeguard requirements as set out in the ESSF and section VII of this PAM; > supervise and monitor environmental and social safeguard implementation as set out in the ESSF and section VII of this PAM: monitor progress of subprojects in line with subproject proposals. and the agreed monitoring benchmarks with the lead bank; monitor implementation of the project in line with the IPPMS; ensure implementation of funds flow and disbursement \geq requirements to eligible subprojects; ensure maintaining a ledger account for ADB funds and closely \geq monitoring usage of funds for eligible subprojects; > ensure that ADB funds be available at any time without restriction on withdrawing fund for eligible subprojects; ensure auditing of loan proceeds and maintenance of accounts; \geq and ADB \triangleright obtain provide all disbursement-related and to documentation and fulfill certification requirements.

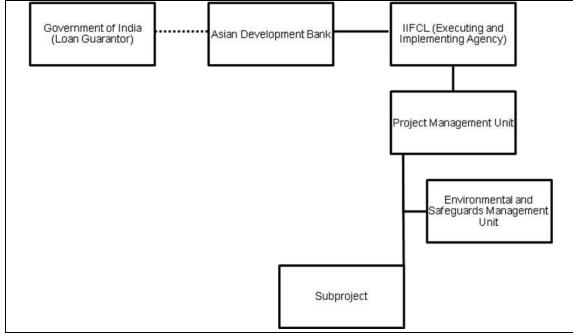
A. Project Implementation Organizations–Roles and Responsibilities

B. Key Persons Involved in Implementation

Executing Agency India Infrastructure Finance Company Limited	Officer's Name: Sanjeev Ghai Position: Chief General Manager Telephone: +91 11 2345 0261 Email address: sanjeevghai@iifcl.org. Office Address: 8th Floor, Hindustan Times Building, 18 & 20, Kasturba Gandhi Marg New Delhi-110 001
ADB	
Public Management, Financial	Staff Name: Bruno Carrasco
Sector and Trade Division	Position: Director
	Telephone No. +63 2 632 5929
Mission Leader	Email address: bcarrasco@adb.org Staff Name: Jennifer Romero-Torres
	Position: Financial Sector Specialist (Capital Markets &
	Infrastructure)
	Telephone No. +63 2 632 5967
	Email address: jtorres@adb.org

C. Project Organization Structure





3. To support its lending operations, IIFCL has estimated that it will need to raise \$9.4 billion through FY2019 to support its lending operations. Under AIIFI, ADB indicated its agreement in principle to provide loans to IIFCL of \$700 million from ADB's ordinary capital resources, supported by sovereign guarantees by the Government of India (Government). ADB's loans would represent approximately 7.4% of IIFCL's anticipated borrowings for the period. On 22 January 2014, ADB and IIFCL signed a loan agreement for tranche 1 of \$400 million with a 19.5-year term.

4. On 25 June 2015, IIFCL requested a loan for tranche 2 in the amount of \$300 million. The first withdrawal will be in Indian rupees (INR); thereafter, withdrawals will be in United States dollars (USD) or INR. USD withdrawals will be on the terms of ADB's London interbank offered rate (LIBOR) based loans with a 19.5-year term (including a grace period of 4 years) plus a margin and such other terms and conditions set forth in the tranche 2 loan agreement. INR withdrawals will be on the terms of INR Linker Bonds (described below) plus a margin, and with a term of 5 to 7 years, no principal repayment prior to maturity, and such other terms and conditions set forth in the tranche 2 loan agreement and an INR pricing notice. A commitment charge of 0.15% p.a. will be payable in US dollars on the undisbursed amount of the loan. The Government will provide a sovereign guarantee in form and substance acceptable to ADB for the term of the loan as a condition precedent to its effectiveness.

5. IIFCL will use the borrowings to fund qualified subprojects under the scheme for financing viable infrastructure projects through a special purpose vehicle called the IIFCL (SIFTI or otherwise referred herein, as the Scheme) or the takeout finance scheme for financing viable infrastructure projects (Takeout Finance Scheme). IIFCL will cover up to 20% of subproject costs for greenfield projects and up to 30% of subproject costs for takeout financing, which is the maximum amount that IIFCL is allowed to finance under its internal procedures (see Supplementary Appendix B of the PFR Report for a list of indicative subprojects).

A. Contract and Disbursement S-curve

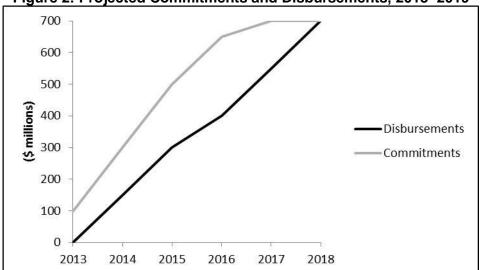
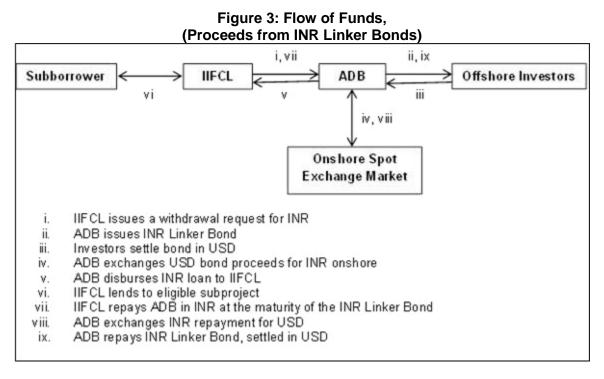


Figure 2: Projected Commitments and Disbursements, 2013–2019

B. Fund Flow Diagram

6. The loan currency designated in the withdrawal request will determine the flow of funds (Figures 3 and 4). For INR withdrawals, ADB will disburse advance funding.¹ IIFCL will maintain the advance funding from the INR withdrawals within its general liquidity pool so as to avoid a negative carry (i.e., the borrowing cost of ADB's loan exceeds the interest rate on savings generated).² In the event IIFCL has not used funds advanced from an INR Linker Bond within 18 months, ADB may request the immediate return of any undisbursed advanced funds including corresponding costs arising from such event, following a 180-day grace period.



7. For LIBOR-based disbursements, IIFCL will initiate subproject disbursement and then seek reimbursement. ADB will disburse to IIFCL's onshore bank account in the same currency as IIFCL made the disbursement. IIFCL, at its discretion, will enter into USD-INR swap transactions to hedge the foreign exchange risk of these USD liabilities. IIFCL will make interest and principal payments in USD.

¹ Follow the imprest fund procedure in the *Loan Disbursement Handbook* unless otherwise agreed by ADB.

² IIFCL has requested ADB to continue with the practice of transferring funds to their general bank account as it provides them operational convenience, efficient utilization of funds and ease of monitoring of inflows and outflows of funds. By maintaining a separate imprest account for advances under the INR Linker Bond, IIFCL: (a) would substantially incur out of pocket having to pay interest to ADB on funds drawn and bank fees whenever request is made for liquidation of advances; (ii) will not be able to disburse funds quickly and more efficiently with another layer of administration and approval process under an imprest account.

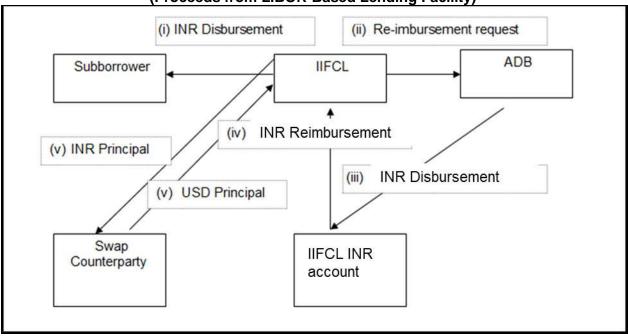


Figure 4: Flow of Funds, (Proceeds from LIBOR-Based Lending Facility)

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

8. Overall, IIFCL's financial management (FM) risk rating is moderate. Though certain weaknesses in risk management function and financial management systems have been identified and are being addressed by IIFCL, there are, however, significant improvements to IIFCL's operations and mitigating measures are in place to ensure FM risks are adequately addressed. IIFCL has :

- demonstrated ability to implement institutional reform through its transition from an unregulated entity to a regulated financial institution as an infrastructure non-bank finance company (NBFC) under the formal purview and supervision of the Reserve Bank of India, thereby has stronger corporate governance and internal controls;
- (ii) made substantial improvements in credit, risk management and reporting. IIFCL has introduced: (a) quarterly risk management reporting to IIFCL's Board; (b) 25 reports from its management information systems (MIS) to make informed decision making; (c) an automated ledger and loan accounting system, (b) credit risk assessment models to bring consistency to project credit ratings;
- (iii) an established and strong record of implementing ADB facilities with: (a) the full utilization and disbursement of the two previous multitranche financing facilities (MFF) to ADB approved subprojects well ahead of their completion dates and strong ongoing performance of Tranche 1, and (b) willingness to further strengthen its safeguards policy and procedures to minimize impact on subproject risks.

- (iv) agreed to undertake FM actions to further strengthen internal risk, internal audit function and integrate its management information systems, which are included as covenants under the loan agreement
- (v) strong financials and credit profile having good earnings/profitability, strong capital adequacy, good asset quality and no history of default or non-repayment. IIFCL maintains an investment grade rating i.e. domestic credit rating of AAA rating and BBB-/stable with Standard & Poor's; and
- (vi) strong implicit support from the Government.

9. IIFCL uses accrual accounting, follows the standards of the Institute of Chartered Accountants of India, and prepares its annual accounts in accordance with the Companies Act, 1956. IIFCL has an automated ledger and since 2013, has introduced an automated loan accounting system. IIFCL maintains and accounting manual to promote standardization in transaction accounting. Whilst IIFCL's staffing has improved since Tranche 1, it is expected that IIFCL will ensure that staffing in control functions continues to increase with the growth in its balance sheet and with the sophistication of its operations.

10. To ensure IIFCL further strengthens its financial management, **Table 2** highlights key actions agreed with IIFCL under Tranche 2:

Agreed Action	Responsible Party	Agreed Completion Date
Integrate its management information systems.	IIFCL	Within 12 months of loan effectiveness.
Implement the recommendations stipulated in its "Integrated Risk Management Systems Project" of February 2013.	IIFCL	By 30 June 2016
Develop its internal audit function. Specifically: (i) appoint an internal auditor at a senior staff level with strong audit experience and qualifications reporting to the Audit Committee of IIFCL's Board; (ii) update its internal audit manual; and (iii) require audit staff to attain professional admission and qualification as a "Certified Internal Auditor" (CIA).	IIFCL	Within 18 months of loan effectiveness
Note: IIFCL currently has an existing staff performing the internal audit functions under its Risk Management Department. In order to comply with RBI requirements, the designated staff will report directly to the Audit Committee of the Board. The proposed appointment of a more senior internal auditor will strengthen internal audit function of IIFCL and supplement this current resource.		

Table 2: Financial Management Action Plan

IIFCL = India Infrastructure Finance Corporation Limited.

B. Disbursement

11. The project proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time)³ and detailed arrangements agreed upon between IIFCL and ADB.

12. Prior to submission of the first withdrawal application, IIFCL should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications together with the authenticated specimen signatures of each authorized person.

13. The minimum amount per withdrawal application is US\$50,000,000 equivalent for disbursements of INR and \$100,000 equivalent for disbursements of USD, unless otherwise accepted by ADB. The maximum amount per withdrawal advance for disbursements of INR will not at any time exceed the estimated aggregate expenditure for qualified subprojects during the next 18 months, unless otherwise agreed between ADB and IIFCL. The first withdrawal application will draw funds under the terms of the INR Linker Bond.

14. The Statement of Expenditure (SOE) procedure will be used for liquidation of advances made to IIFCL under the loan and reimbursement of eligible expenditures and supporting documents and records for the expenditures claimed under this procedure should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

15. **Disbursement under INR Linker Bonds.**⁴ For disbursement under the INR Linker Bonds for qualified subprojects, IIFCL will follow the procedures set out below (applicable forms are in Appendix 1 [A1] of this PAM), unless otherwise agreed by ADB:

- Request for Initial Withdrawal. IIFCL submits to ADB a Withdrawal Application (A1-Form 1) accompanied by an Estimate of Funding Requirements by Qualified Subprojects (A1-Form 2).
- (ii) Approval of subprojects. Except for subprojects that are below the \$30 million free limit, IIFCL will seek ADB approval of subprojects prior to allocating funding from the INR Linker Bonds to a subproject.
- (iii) Liquidation of INR Disbursements. IIFCL submits a Statement of Expenditures of Qualified Subprojects (A1-Form 3) and a Reconciliation Statement (A1-Form 4) for liquidation of advance. (Note that IIFCL has to follow existing safeguards procedures (Section VII) prior to liquidation of advances made for qualified subprojects that have met the eligibility criteria and have been approved by ADB) IIFCL will retain (but not submit) a record of full documentations on the qualified subproject (and are available, at all times, to ADB for audit purposes and spot reviews), including: (a) subloan evaluation form that includes procurement arrangements, (b) project due diligence report, (d) environmental impact assessment or an initial environmental examination, (e) latest copy of the lenders' independent engineer's report regarding physical progress (applicable

³ Available at http://www.adb.org/sites/default/files/institutional-document/33606/adb-loan-disbursementhandbook.pdf.

⁴ Follow the imprest fund procedure in the ADB Loan Disbursement Handbook (2015, as amended from time to time), unless otherwise agreed by ADB.

for qualified greenfield subproject), (f) audited financial statements of the project special purpose vehicle (SPV) used for determining the debt service coverage ratio (DSCR) (applicable for qualified refinancing or takeout finance subproject); (g) utilization certificate endorsed by lender's agent; and (h) evidence of IIFCL's payment to the subproject.

(iv) Subsequent Withdrawals. IIFCL may request subsequent withdrawals of INR only after it has liquidated at least 70% of the previous withdrawal of INR. IIFCL will submit to ADB: (a) a Withdrawal Application Form (A1-Form 1); (b) an Estimate of Funding Requirements by Qualified Subprojects (A1-Form 2); and (c) a Reconciliation Statement (A1-Form 4).

16. **Disbursement under LIBOR-based Lending Facility.**⁵ For disbursement under the terms of the LIBOR-based lending facility, IIFCL will follow the ADB reimbursement procedures for qualified subprojects which IIFCL has incurred and paid for out of its own resources, as set out below (applicable forms are in Appendix 2 (A2) of this PAM):

- (i) IIFCL submits: (a) a Withdrawal Application for Reimbursement (A2–Form 1) for one or several subprojects; and (b) a Statement of Expenditures of Qualified Subprojects (A2-Form 2).
- (ii) IIFCL will retain (but not submit) a record of full documentations on the qualified subproject (and are available, at all times, to ADB for audit purposes and spot reviews), including: (a) subloan evaluation form that includes procurement arrangements, (b) project information memorandum, (c) ADB safeguards clearance on the subproject due diligence report, (d) environmental impact assessment or an initial environmental examination, (e) latest copy of the lenders' independent engineer's report regarding physical progress (applicable for qualified greenfield subproject), (f) audited financial statements of the project special purpose vehicle (SPV) used for determining the debt service coverage ratio (DSCR) (applicable for qualified refinancing or takeout finance subproject); (g) utilization certificate endorsed by lender's agent; and (h) evidence of IIFCL's payment to the subproject.
- (iii) For subsequent withdrawal applications for the same qualified subprojects, IIFCL will retain (but not submit): (a) the updated copy of the lenders' independent engineer's report regarding physical progress; (b) audited financial statements of the project SPV used for determining the DSCR (applicable for qualified refinancing or takeout finance subproject); (c) a utilization certificate endorsed by the lender's agent; and (d) an evidence of payment made by IIFCL to the subproject;
- (iv) ADB will reimburse IIFCL in the same currency (INR or USD) that IIFCL used for the subloan into an account that IIFCL nominates; and
- (v) ADB will reimburse IIFCL in the currency in which the cost of goods and services were paid.

17. ADB's disbursements will be through real time gross settlement system of India, wherein ADB transfers rupees into ADB's depository bank in India. The depository bank will transfer to IIFCL's bank in India through the real time gross settlement system.

⁵ Follow the reimbursement procedure in the ADB Loan Disbursement Handbook (2015, as amended from time to time), unless otherwise agreed by ADB.

C. Accounting

18. IIFCL will, through its PMU, maintain or cause to be maintained, separate books and records by funding source for ADB loan proceeds used in the project relating to sub-loans following accounting principles generally accepted in India.

D. Auditing

19. IIFCL will cause the annual statement of utilization of funds to be audited in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, by an independent auditor acceptable to ADB. The audited annual statement of utilization of funds together with the auditors' opinion will be submitted in the English language to ADB within 6 months of the end of the fiscal year.

20. IIFCL will also cause its annual entity financial statements to be audited in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, by an independent auditor acceptable to ADB. The audited entity-level financial statements, together with the auditors' report and management letter, will be submitted in the English language to ADB within one month after their approval by IIFCL's board of directors.

21. The audited annual statement of utilization of funds and audited annual entity-level financial statements will be subject to audit by an independent auditor appointed by IIFCL's Audit Committee of the Board of Directors. The audit opinion in respect of the annual statement of utilization of funds will include the auditor's review of subprojects approved by ADB and will address:

- (i) whether or not the audited statement of utilization of funds presents fairly, in all material respects, subprojects funded by ADB;
- (ii) whether or not loan proceeds were used only for the purposes of the facility/project under the related tranche;
- (iii) the level of compliance for each financial covenant contained in the legal agreements for the project under the related tranche; and
- (iv) if applicable, the use of the statement of expenditure procedure certifying to the eligibility of those expenditures claimed under SOE procedures in accordance with ADB's Loan Disbursement Handbook and the legal agreements for the project under the related tranche.

22. The audited statement of utilization of funds should separately detail for funds drawn under the USD Libor-based facility and the INR Linker Bonds: (i) the opening balance, (ii) names of sub-borrowers financed, (iii) amounts committed to each subproject and amounts disbursed, (iv) the closing balance (gross and net of committed but undisbursed subproject amounts), (v) the gross opening and closing balances from the prior year, and the cumulative amount disbursed to date (gross).

23. The audit opinion will also include an Audit Management Letter the sets out the deficiencies in the internal control of the project under the related tranche that were identified in the course of the audit. A sample audit letter is in Appendix 3.

24. Review missions and normal project supervision will monitor compliance with financial reporting and auditing requirements and will follow up with concerned parties, including the external auditor.

25. ADB has made the Government and IIFCL aware of ADB's approach to delayed submission and the requirements for satisfactory and acceptable quality of the audited statement of utilization of funds.⁶ ADB reserves the right to require a change in the auditor in a manner consistent with the articles of association and memorandum of association of IIFCL or for additional support to be provided to the auditor, if the audits are not conducted in a manner satisfactory to ADB or are substantially delayed. ADB retains the right to verify or have audited (i) any subproject, (ii) the validity of IIFCL's certification for each withdrawal application, and (iii) that ADB's financing is used in accordance with ADB's policies and procedures.

26. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).⁷ After review, ADB will disclose the audited annual statement of utilization of funds and related opinion of the auditors within 30 days of the date of their receipt by posting them on ADB's website. The audited entity-level financial statements and the Audit Management Letter will not be disclosed.

VI. PROCUREMENT

27. In accordance with ADB's Procurement Guidelines (2015, as amended from time to time) as applicable to financial intermediaries, all procurement to be financed under the loan will be carried with established private sector or commercial practices, which are acceptable to ADB.⁸ For procurement of goods and services to be financed by subloans from the ADB loan, IIFCL will ensure that the price paid is reasonable and that account is taken of factors such as time of delivery, efficiency, and reliability. For build-operate-transfer projects and their variants, if the subproject sponsor or engineering procurement and construction contractor is selected through competitive bidding among international entities in accordance with procedures acceptable to ADB, such engineering procurement and construction contractor may apply its own procedures for procurement provided that such procurement is for goods, services, and works supplied from or produced in ADB member countries. All subprojects will procure goods and works from member countries of ADB in an amount at least equal to the size of the subproject's subloan. For subprojects financed under IIFCL's takeout financing scheme, each subproject must certify that goods and works of an amount at least equivalent to the subloan were procured from member countries of ADB.

28. **Retroactive Financing.** In accordance with ADB's guidelines, retroactive financing up to 20% of the proceeds of the second tranche will be permissible for eligible expenditures incurred not earlier than 12 months prior to loan signing. In all cases of retroactive financing, the subborrower will carry out and operate the subproject in accordance with sound administrative,

⁶ ADB approach and procedures regarding delayed submission of the audited statement of utilization of funds: (i) When audited statement of utilization of funds is not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed; (ii) When audited statement of utilization of funds have not been received within 6 months after the due date, ADB will withhold processing of new reimbursement, and issuance of new commitment letters. ADB will (i) advise that the loan may be suspended if the audit documents are not received within the next 6 months; and (ii) in the event that audited statement of utilization of funds have not been received within 12 months after the due date, ADB may suspend the loan.

⁷ Available from http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications.

⁸ ADB. 2015. *Procurement Guidelines*. Manila.

financial, economic, engineering, environmental and social safeguards, and business practices, including maintenance of adequate accounts and records.

29. **Free Limit.** ADB will, subject to its policies and procedures, extend a free limit for IIFCL of up to \$30 million for qualified greenfield and take-out financing subprojects.

30. **Eligibility Criteria for Subproject.** Subprojects will be selected under eligibility and selection criteria as set out in SIFTI or the Takeout Finance Scheme, as applicable, and in accordance with subproject and subborrower selection criteria and approval process as indicated in the Loan Agreement.

31. The SIFTI provides definitions, eligibility criteria, appraisal, monitoring, and lending terms to subprojects. Thus, the eligibility requirements for subproject and subborrower selection criteria of AIIFI will adhere to SIFTI which includes, *inter alia*, appraisal of the subproject by the designated specialized appraisal agency for technical, economic, and commercial viability and review and acceptance of the results of the appraisal.⁹ In addition, subprojects will be required to meet the ADB requirements as well as to follow the subproject approval procedures, details of which are stipulated in the Loan Agreement and FFA, and will include safeguard and procurement compliance requirements.

VII. SAFEGUARDS

32. ADB took the lead while processing the first India Infrastructure Project Finance Facility (IIPFF I) to develop a common environmental and social safeguards framework (ESSF) in consultation with the Japan Bank for International Cooperation, KfW, and the World Bank.¹⁰ IIFCL adopted the ESSF, which is uploaded to its website.¹¹ The ESSF was updated during the processing of IIPFF II in 2010. IIFCL again revised and updated the ESSF in July 2013. IIFCL will apply the ESSF (2013) to all subprojects. The environment and social safeguards management unit (ESMU) will be responsible for undertaking due diligence, supervision and monitoring in accordance with the ESSF and this section of the PAM.

33. IIFCL will ensure sufficient due diligence for subprojects to confirm that (i) national and state laws and regulations for environment, health and safety, involuntary resettlement and Indigenous Peoples are followed and/or (ii) sub-borrowers have the commitment and capacity to follow them including sufficient budget and human resources.¹² Subprojects that are not compliant with national and state laws and regulations are not eligible for ADB funds. Additionally, through the lead bank, IIFCL will require sub-borrowers to submit regular safeguards monitoring reports (statutory monitoring reports) and require the Lender's

⁹ IIFCL's Scheme requires IIFCL to only finance commercially viable projects and provide financing on commercial terms and price loans accordingly. Thus, all aspects of project economics and credit worthiness with regard to subprojects are subject to extensive due diligence prior to loan approval by IIFCL. Further, as the Scheme requires IIFCL to finance subprojects in critical infrastructure subsectors only, the positive development impact is a given.

¹⁰ The ESSF includes (i) the anticipated impact of the subprojects financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) safeguards criteria to be used in selecting projects; (iii) requirements and procedures to be followed to screen and categorize projects, conduct impact assessments, develop management plans, hold public consultations, and disclose public information (including the 120-day disclosure rule, if required), and monitor and report the progress of such projects or project components; (iv) the institutional arrangements (including budget and capacity requirements); and (v) IIFCL and ADB's responsibilities and authorities for the preparation, review, and clearance of safeguards documents.

¹¹ Available at http://www.iifcl.org/WriteReadData/UserFiles/file/ESSF_07112013.pdf.

¹² For the avoidance of doubt, any reference to environmental regulations also includes health and safety.

Independent Engineer's report (applicable on qualified greenfield subprojects) on safeguards implementation to inform IIFCL's annual ESSF implementation report. Copies of the safeguards monitoring reports and LIE reports on safeguards implementation will be reviewed by IIFCL.

- 34. ADB and IIFCL have agreed to include the following additions to existing procedures:
 - All subprojects are screened against ADB's Prohibited Investment Activities List (PIAL) (Appendix 5 of ADB's SPS).¹³ Subprojects involving PIAL are ineligible for ADB funds. IIFCL will include a statement of PIAL compliance in each subproject's due diligence report;
 - (ii) Subprojects categorized as ADB category A for environment, involuntary resettlement, or indigenous peoples will not be eligible;
 - (iii) For proposed subprojects IIFCL will provide: (i) subproject description, (ii) use of IIFCL funding (scope of subproject), and (iii) location with internet map or internet link to a map. IIFCL will also provide this information when new projects are added to the pipeline. If, based on this information, ADB has concerns that a pipeline project may, because of differences between ADB Safeguard Policy Statement (SPS) and India's laws and regulations, be classified as category A under the former, ADB will recommend excluding the project from the pipeline and/or the steps IIFCL need to take to confirm it is not category A;
 - (iv) For qualified subprojects, where land acquisition and resettlement have already occurred before IIFCL involvement, IIFCL will document in each such subproject's due diligence report that land acquisition and resettlement was not in anticipation of IIFCL (and thus ADB) financing and provide supporting documents as evidence, including social compliance audit where applicable;
 - (v) IIFCL will submit each subproject's due diligence report (including justification for categorization, copies of safeguards documents, summary of concerns raised during site visit consultations, and feedback given by IIFCL to the concessionaire) for disclosure on the ADB website. Where national and state laws and regulations do not require an environmental assessment to be undertaken, IIFCL shall be responsible for identifying the potentially significant impacts and demonstrating that they are adequately mitigated; and
 - (vi) IIFCL in supervising and monitoring each subproject will conduct annual safeguard site visits to 25% of the projects financed under tranche 2, and ADB will have the option to select the projects that will be visited. Site visits should check (i) if sub-borrowers are complying with national and state laws and regulations, (ii) the implementation and enforcement of any environmental management plans (EMPs) and corrective actions, and (iii) that there have been no changes in project scope or unanticipated risks or impacts that have not been adequately addressed. IIFCL will inform ADB as soon as they become aware of any unanticipated risks or impacts associated with a subproject.

35. Through its supervision and monitoring, IIFCL will ensure that all subprojects under AIIFI will continue to comply with the PIAL, national and state laws and regulations and requirements of the ESSF (2013), including implementation of any EMP measures and corrective actions. IIFCL will also ensure that the ESMU has sufficient and qualified staff.

¹³ Available at: http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf

VIII. GENDER AND SOCIAL DIMENSIONS

36. The project has minimal gender dimensions. However, IIFCL will work with its subborrowers to encourage that they identify and maximize opportunities for women's participation in all employment opportunities during construction, operation, and maintenance of the subprojects and to promote adherence to national core labor standards, gender equality, and women's empowerment as consistent with the Government's legislations and regulations.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 2

Impact of the Facility is Aligned with Investments in infrastructure increased (Twelfth Five-Year Plan, 2012–2017) **Results Chain Performance Indicators with Data Sources and** Risks **Targets and Baselines** Reporting Outcome By 2019: \$0.9 billion of private sector Annual Report of IIFCL Increased project and Private sector investment in investments on eligible borrowing costs infrastructure PPPs infrastructure PPP making financial facilitated subprojects catalyzed closure difficult (September 2015 Baseline: \$2.5 billion of private sector infrastructure investments catalyzed in PPP under Tranche 1) By 2019: Outputs 1a. At least 13 PPP 1. Availability of long-1a. Annual audited Lack of viable PPP subprojects are financed term finance for statement of utilization projects for funding PPP subprojects under Tranche 2 utilizing the of funds and semienhanced \$300 million loan amount progress reports from IIFCL's portfolio quality IIFCL deteriorates (September 2015 Baseline: 12 PPP subprojects funded under Tranche 1) 1b. At least \$50 million 1b. ADB Pricing Absence of required Supplement on INR regulatory approvals equivalent of funds from INR Linker Bonds applied to Linker Bond and unfavorable eligible PPP subprojects market conditions funded under Tranche 2 leading to ADB unable to raise INR Linker (September 2015 Baseline: Bonds INR Linker Bond were only introduced under Tranche 2)

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks	
2. Operational capacity of IIFCL improved	By June 2016: 2a. Remaining 23 actions under IIFCL's internal risk management plan completed	2a – 2b. Assessment prepared by an independent 3 rd party	Key staff in ESMU leaves IIFCL	
	(September 2015 Baseline: 6 out of 29 actions under IIFCL's internal risk management plan completed)			
	By April 2017: 2b. Integrated management information system completed within 12 months of Tranche 2 loan effectiveness			
	(September 2015 Baseline: Automated ledger and accounting system in operation)			
	updated and a senior-levelaudit manuinternal auditor appointedof appointm	2c. Copies of internal audit manual and letter of appointment of a senior staff as internal		
	(September 2015 Baseline: Previously, internal audit functions were outsourced by IIFCL)	Baseline:auditor signed by IIFCLI auditmanagement		
	By October 2017:2d. ESSF policies and procedures updated2d. Updated ESS approved by IIFC Board and publis			
	(September 2015 Baseline: ESSF last updated in November 2010)	IIFCL's website		

Key Activities with Milestones

1. Availability of long-term finance for PPP subprojects enhanced

- 1.1 Identify and finalize indicative list of subprojects to be financed by ADB under Tranche 2 (May-June 2015)
- 1.2 Commence due diligence on IIFCL and project site visit of two sample projects for funding under Tranche 2 (June 2015)
- 1.3 Issuance of ADB offshore INR Linker Bonds (April 2016)

2. Operational capacity of IIFCL improved (continues to March 2019)

- 2.1. Negotiate and sign PFR for Tranche 2 (March 2016)
- 2.2. Tranche 2 becomes effective (April 2016)
- 2.3. Complete IIFCL's implementation plan for internal risk management (30 June 2016)

- 2.4. Integrate management information systems within 12 months of Tranche 2 loan effectiveness (April 2017)
- 2.5. Update internal audit manual and appoint a senior-level internal auditor within 18 months of Tranche 2 loan effectiveness (October 2017)
- 2.6. Update ESSF policies and procedures within 18 months of Tranche 2 loan effectiveness (October 2017)

2.7. Fully utilize tranche 2 (31 March 2019)

Inputs

ADB: \$300 million (OCR loan)

Assumptions for Partner Financing

Not applicable

ADB = Asian Development Bank, ESMU = environment and social safeguards management unit, ESSF = environmental and social safeguards framework, IIFCL = India Infrastructure Finance Company Limited, OCR = ordinary capital resources, PFR = periodic financing request, PMU = project management unit, PPP = public–private partnership.

Note: A total of 30 PPP (i.e. 17 PPP subprojects under Tranche 1 and 13 PPP subprojects under Tranche 2) have been committed by IIFCL for the entire \$700 million facility under Facility Design and Monitoring Framework. Source: Asian Development Bank and IIFCL.

B. Monitoring

37. ADB will, at its discretion, conduct reviews of the management, financial, safeguards, and operational performance of the borrower and subprojects financed under the AIIFI. The review will include procurement procedures utilized by the AIIFI-financed infrastructure projects.

38. The performance of AIIFI will be reviewed periodically at three levels by: (i) IIFCL's PMU quarterly; (ii) IIFCL's Board of Directors semi-annually, and (iii) the tripartite review meetings among the Government, ADB, and IIFCL. The review of performance for each quarter by the PMU will be completed by the 10th day of the month following the quarterly review. IIFCL's Board of Directors will review the performance semi-annually and will forward the semiannual progress reports to ADB by the 10th day of the month following the semiannual review. In addition, a midterm review of the investment program will be conducted in 2017. The review will cover contract awards and disbursement, implementation progress, progress against institutional development and capacity building milestones, and social and environmental aspects. The midterm review will identify problems or weaknesses in the implementation arrangements, suggest nominal changes in scope, outputs, and due diligence, and agree on suggested changes. Additionally, IIFCL will submit to ADB an unaudited statement of utilization of funds (i) every 6 months and (ii) 18 months after each withdrawal of INR.

C. Evaluation

39. In addition to the 2017 midterm review, ADB will review IIFCL's quarterly progress reports and semiannual reports.

D. Reporting

40. IIFCL will provide ADB with:

- (i) unaudited statement of utilization (a) every 6 months and (b) at 18 months, after each withdrawal under the INR Linker Bond of AIIFI tranche 2.
- (ii) semiannual progress reports within 10 days after the close of the half year in a

format consistent with ADB's facility performance reporting system;

- (iii) annual safeguards monitoring reports in respect of the implementation status of the ESSF, including the implementation of environmental and social safeguards for subprojects under AIIFI (tranche 1 and tranche 2);
- (iv) if any unanticipated environmental and/or social risks and impacts arise during qualified subproject implementation promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (v) report any actual or potential breach of compliance with the requirements set forth in the ESSF, the FAM, and the Government's national and state level policies, laws and regulations relating to the environment (including health and safety), resettlement and indigenous peoples;
- (vi) consolidated annual reports including (a) progress achieved by output as measured through the DMF, (b) key implementation issues and solutions, (c) updated implementation plan for next 12 months; and
- (vii) a facility completion report within 6 months of the completion of the facility.

41. The semiannual progress reports will provide (i) a narrative description of progress made during the review period (to include the implementation of the Deloitte recommendations on risk management),¹⁴ (ii) changes in the implementation schedule, (iii) problems or difficulties encountered, and (iv) activities for the next period. The progress reports will also include a summary financial account for the subproject components consisting of subproject expenditures during the period, total expenditures to date, and benefits monitoring in accordance with procedures acceptable to ADB. A pro forma quarterly and semiannual report is included in Appendix 4.

E. Stakeholder Communication Strategy

42. The communications requirements of the MFF at the overall ADB project level are minimal since there are no direct social or environmental impacts or behavior change activities stemming from the financing facility. Communications activities will therefore focus on media and corporate communications regarding the value of ADB's sustained partnership with IIFCL and the potential and actual positive outcomes made possible by the MFF. These can contribute to encouraging active use of the facility and raising broad awareness of ADB, IIFCL, and the benefits of improved infrastructure.

43. However, the MFF will indirectly finance a variety of infrastructure projects, such as roads and energy projects that have the potential for social and environmental risks to and impacts on affected communities. All projects financed by the MFF need to have engaged and continue to engage with all affected communities and persons (including the disadvantaged and vulnerable) through timely information disclosure, consultation, and informed participation in a manner commensurate with the risks to and impacts on them. Use of project specific

¹⁴ ADB engaged the services of KPMG (India) to conduct a review in June 2015 of the progress made by IIFCL with respect to their risk management framework and systems by benchmarking the current risk management practices against the checklist requirements based on Deloitte recommendations to IIFCL pertaining to risk-category wise implementation on integrated risk management, credit risk management, market risk management and asset liability management, operational risk management, risk trainings and risk systems. IIFCL has yet to complete the: (i) implementation of an integrated management information system (which has been covenanted in the tranche 2 loan agreement for completion within 12 months of effectiveness); and (ii) IIFCL's implementation plan for internal risk management (as stipulated in its "Integrated Risk Management Systems Project" by July 2016.

communications plan, if needed, to assist in ensuring meaningful consultation is undertaken. Compliance should be led by the project companies themselves with monitoring from IIFCL and ADB. This project communications strategy will need to be updated accordingly as the need arises.

X. ANTICORRUPTION POLICY

44. IIFCL has been advised of ADB's Anticorruption Policy (1998, as amended to date). Consistent with its commitment to good governance, accountability, and transparency, implementation of the project and subprojects shall adhere to ADB's Anticorruption Policy. ADB reserves the right to review and examine, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project and subprojects. In this regard, investigation of government officials, if any, would be requested by ADB to be undertaken by the government.

45. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the loan regulations and the bidding documents. In particular, all contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of IIFCL and all contractors, suppliers, consultants, and other service providers as they relate to the project and subprojects. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contract under the project or subprojects.¹⁵

46. ADB's Anticorruption Policy designates the Office of Anticorruption and Integrity as the point of contact to report allegations of fraud or corruption among ADB-financed projects or its staff. Office of Anticorruption and Integrity is responsible for all matters related to allegations of fraud and corruption. For a more detailed explanation refer to the Anticorruption Policy and Procedures. Anyone coming across evidence of corruption associated with the project may contact the Anticorruption Unit by telephone, facsimile, mail, or email at the following numbers/addresses:

by email at integrity@adb.org or anticorruption@adb.org by phone at +63 2 632 5004 by fax to +6326362152 by mail at the following address (Please mark correspondence Strictly Confidential):

Office of Anticorruption and Integrity Asian Development Bank 6 ADB Avenue Mandaluyong City 1550 Metro Manila, Philippines

XI. ACCOUNTABILITY MECHANISM

47. IIFCL will maintain a grievance redress mechanism that is compliant with the laws and regulations of India and consistent with ADB SPS requirements. Details of IIFCL's grievance redress mechanism are available on its website.¹⁶

¹⁵ ADB's Integrity Office web site is available at: <u>http://www.adb.org/integrity/unit.asp</u>

¹⁶ http://iifcl.org/Content/citizercharter.aspx

48. People who are, or may in the future be, adversely affected by the project may also submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted facilities can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁷

XII. RECORD OF PAM CHANGES

49. This section will retain all revisions and updates that occur during implementation to provide a chronological history of changes.

¹⁷ For further information see: http://www.adb.org/Accountability-Mechanism/default.asp.

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WITHDRAWAL APPLICATION (A1-FORM 1)

	IDRAWAL APPLICAT ating Infrastructure Investment	TION FORM (INR DRAWDOWN) Facility in India-Tranche 2	Asian Development Bank ADF
	•	• • • • • • •	ADB Loan No.
Date			
T	A size Davidenment Daals		Application No.
To:	Asian Development Bank 6 ADB Avenue, Mandaluyong Cit	y	Type of Disbursement
	1550 Metro Manila, Philippines		Initial Advance
			Additional Advance
Attention	: Loan Administration Division, Co	ntroller's Department (CILA)	Liquidation and Replenishmer
			heread
			Liquidation Only*
Sir/Mada			
1. In con	•	dated between the Asian Develo	•
purpo	(Borrow er) ose of establishing/replenishing the		from the loan account for the
1.1.1		•	
		aid (in figures) Amount to be paid (in words)	
	INR		
2. The u	ndersigned certifies and agrees as	s follow s:	
a. Tł	he said amount is required for payme (date/month/v	ent of eligible expenditures as described in the attached es	stimate of expenditures sheet(s) from
b. Ar	ny advances by the Asian Developm	ear) to(date/month/year). ent Bank (ADB) to the imprest account may be limited to a	a sum equal to or smaller than the amount requested
	r advancesor replenishment. he undersigned bas not previously wi	thdrawn or applied for withdrawal of any amounts from sai	id loan account nor obtained or will
ot	btain any loan, credit, or grant for the	e purpose of fully or partially meeting the expenditures de	
sh d. Ti	neet(s), summary sheet(s), and/or sta he goods or services have been proc	tement of expenditures (SOE). ured in accordance with the Loan Agreement and the cos	t and terms of the purchase thereofare reasonable
ar	nd in accordance with the relevant co	ntract(s).	
	ss specifically permitted otherwise by	produced in and supplied by a member country of ADB as ADB's Board of Directors.	specified in the attached summary sheet(s) or SOE,
		ched estimate of expenditures sheet(s), summary sheet(s) n accordance with its terms and conditions.), and/or SOE are to be made for the purposes
g. TI	he undersigned will furnish supporting	g documents satisfactory to ADB to liquidate the advance.	, or will refund any unliquidated advance.
		e basis of an SOE, all authenticating documents will be re e) and will be made available for examination by auditors a	
i. A	s of the date of this application, there	is no existing default under the Loan Agreement, the Pro	bject Agreement, or the Guarantee
	greement, if any. any funds withdrawn pursuant to this	sapplication are returned, the current value of such funds	will be applied as credit to the loan
		lied to the next loan service payment due.	
3. Paym	· ·	d in the case of liquidation only):	
	A. Payee's Name and Address		
	Payee's Name Payee's Address		
	B. Name and Address of Payee's	Bank and Account No.	
	Bank Name		
	Bank Address		
	Payee's Account No.		
	SWIFT Code	's bank is not located in the country whose currency	is claimed enter the name
		correspondent in the country whose currency is to be	
	Bank Name		
	Bank Address		
	Account No. of		
	Payee's Bank		
	SWIFT Code D. Special Payment Instructions a	and Other References	
	application consists of pages	including pages of summary sheets or SOE.	
From:			
	Signature of Authorized Represe	entative(s)	
	Printed Name/Position/Title of Aut	norizea Representative(s)	

Instructions for preparing the Withdrawal Application Form for Imprest Fund (ADB Form No. ADB-IFP)

General Instructions

- Submit original withdrawal application (WA) form to the Asian Development Bank (ADB) (or to its resident/regional Mission, if instructed).
- 2. Number WAs consecutively, not exceeding five digits or characters.
- 3. For replenishment of advances, consolidate claims until the amount being withdrawn is at least US\$100,000 equivalent unless otherwise advised by ADB.
- 4. When the application is completed, verify completeness of supporting documentation and accuracy of details before passing to the authorized representative(s) for signature. Mistakes and omissions result in delayed payment.

Withdrawal References

- 5. Date: Enter the date WA is signed by authorized representative(s), not the date it was prepared.
- 6. Loan Number: Show ADB loan number clearly.
- 7. Application Number: Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA, e.g., A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.

8. **Type of Disbursement:** Indicate in the appropriate box the type of WA claim, whether for initial advance, additional advance, liquidation and replenishment, or liquidation only.

Estimate of Expenditures Sheet (ADB Form No. A1-FORM 2)

For Initial Advance and Additional Advance:

9. Provide all details as required in form A1-FORM 2. Estimated expenditures should normally be based on the amount of contracts awarded and to be awarded.

10. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.

For Liquidation and Replenishment:

11. In addition to 1 and 2 above, before submitting the WA, obtain appropriate procurement contract summary sheet (PCSS) numbers from ADB's sector division/resident mission concerned.

12. Where the statement of expenditures (SOE) is not allowed, submit full supporting documents required under section 10.33 of the handbook.

Payment Instructions

- 13. Payee's Name and Address: Indicate full name and address of payee for identification of payment.
- 14. Name and Address of Payee's Bank and Account No.: Indicate full name and address of the payee's bank, which may include a banker and/or branch designation. Account number is important. Give SWIFT code if payee's bank is a member of SWIFT.
- 15. Correspondent Bank: Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.
- 16. Special Payment Instructions: Indicate any particulars, special instructions, or references to facilitate payment or identification of payment.
- 17. Name of Borrower: Fill in the name as it appears in the Loan Agreement.
- 18. Authorized Representative(s): Pass this application to authorized representative(s) for signature. Verify if the list of authorized representative(s) has been changed.

ESTIMATE OF FUNDING REQUIREMENTS BY QUALIFIED SUBPROJECTS (A1-FORM 2)

		PROJECTS (INR) ^a cture Investment Facility i	in India-Tranche	· 2		
ADB Loan N	lo.:	A	Application No.:		_ Date:	
Category No).:	E	stimate Sheet No.: b		_	
Contract	Contract	Description of Goods	Contract	Estimated Amount	Exchange	Estimated Amount
No.	Date	and Services	Amount	of Expenditures ^c	Rate	in US\$ Equivalent
	Total this page				_	
		ment percentage for the cost cate for ADB financing	egory		-	
	From previous p				_	
		expenditures to be financed from	the imprest account		_	
	Account balance				_	
	Amount request				_	
			By:			
				(Representa	ative Name and	Signature) ^d
Notes: a Estima	ite of expenditure	es should not exceed the 18-month	n period.		/ Title of Repre	
as app (or dis c Refer	propriate, should bursement condi to terms of paym	expenditure should be used for ea not request advances for the cost itions) w hich have not been met. ent for each contract and indicate ead the corresponding amount in t	t categories, compone the amount needed ir	ents ,or expenditures subj n the currency of expendi	ect to condition	s for withdrawal
		eed the corresponding amount in t cuting agency or implementing age				
DB Form N	No. ADB-IFP-EES					

STATEMENT OF EXPENDITURES OF QUALIFIED SUBPROJECTS (A1-FORM 3)

E Sheet No.: ubloan Sub-Borrower No.	ADB Loan No.:			Reimbursem	om						
ubloan Sub-Borrower No.			<u> </u>					Date:			
	ISIC Code	Project Purpose and Description	Country of Origin	Subproject Cost	Subloan Amount Approved	ADB's Disbursement %	Subloan Amount to be Financed by ADB	Amount of Individual Payment Claimed	Date Paid	Cumulative Amount of Disbursement for the Subloan	Remarks (a
1 2	3	4	5	6	7	8	9	10	11	12 (should be = or < column 9)	13
is hereby certified greement, (ii) all d	that (i) the above a	ent of expenditures, ISIC amounts have been enticating these exp id (iii) payments have	incurred enditures	CERTIFI and paid for pr s has been reta	T CATION oper execut ined by the	OTAL CLAIM ion of project Borrower an	d will be mad	e available fe	or exami	nditions of the ination by audit	Loan ors and

				ECONCILI			-			
			Acceleratin	•		estment l	Facili	ity in India-Tr	anche	2
				LOA	N NO					
1	lico	tion Number :				With (Bank)				
		ccount Number :				Bank Addre	-			
1	PR	ESENT OUTSTAN	DING AMOUNT	ADVANCED						
	NO	T YET RECOVERE	D						INR	0.00
2	DAI	LANCE as of							INR	XXX, XXX.X
2		bank statement	(copy attached)					IININ	~~~, ~~~.^
				, 						
3		D: Amount of elig		es claimed in	attached					2007 2007 2
	app	olication (WA no.)					INR	XXX, XXX.X
4	AD	D: Amount claime	ed in previous a	pplications no	ot vet credite	ed				
		date of bank state	-						INR	XXX, XXX.X
								•		
		Withdrawal App XXXXX	lication No.				INR	<u>Amount</u> XXX, XXX.XX		
	-	XXXXX					INR	XXX, XXX.XX		
		XXXXX					INR	XXX, XXX.XX		
5		TAL expenditures		t not yet						
	cia	imed for replenis	nment							
	a.	Sub-accounts ¹								
		otal sub-account	balance accou	nted for PIU#1			INR	XXX, XXX.XX		
	-	otal sub-account					INR	XXX, XXX.XX		
	-	otal sub-account					INR	XXX, XXX.XX		
	-	otal sub-account otal sub-account						XXX, XXX.XX XXX, XXX.XX		
	a.5		unt balances a				INR	~~~, ~~~.~~	INR	XXX, XXX.X
										,
	b.	Transfer in trans	sit				INR	XXX, XXX.XX		
		D								
	C.	Petty cash balar	ice				INR	XXX, XXX.XX		
	d.	Unliquidated exp	enses (itemize	expenses)			INR	XXX, XXX.XX		
	e.	Others (please s	specify)				INR	XXX, XXX.XX		
									INR	XXX, XXX.X
									IINIX	~~~, ~~~.~
6	TO	TAL ADVANCE AC	COUNTED FOR						INR	0.00
			pancy between	totals appeari	ng in lines 1	and 6 above	(e.g., e	earned interest cre	edited to t	he account,
bai	nk ch	narges, etc.):								
7	ти	RNOVER RATIO, e	stimate (see a	Itachment)						1.60
B		PROPRIATE LEVE			7 x 6/12)				INR	0.00
9	REC	QUESTED LEVEL	OF ADVANCE						INR	0.00
		Attach the latest	t estimate of ex	penditures (u	se the form	A1-Form 2) if	f the a	mount of item 9 is	s larger tl	han the lower
		of item 1 or item	8. (Read Loan	Disbursemer	nt Handbook	sections 10	.17 an	d 10.19.)	1	
	-									
						Signature	e, nam	e, and title of repr	esentative	e of the entity
						(e.g., EA	, IA) wł	nich hold the title o	of the imp	rest account
NO	TES:									
1		•					cilation	statements and b	ank state	ements for sub
	acc	counts should be	retained at the c	office of the bo	rrower and/o	r EA.				
2	All	figures are indica	ted only for illus	tration purpos	es.					

RECONCILIATION STATEMENT (A1-FORM 4)

	_		chment to Reco			· /	
	Accel					in India-Tran	che 2
		E	STIMATION O	F TURNO	VER R	ΑΤΙΟ	
			LOAN/GRAN	NT/NO			
Applica	tion Number:			With (Ban	k):		
	Number:			Bank Add			
4.0							
10	CALCULATIC	ON OF AVER	AGE OF ADVANC	E.			
	Outstanding	Advance as	of the latest mo	nth end		(e.g., Sep-11)	INR 4,000,000
			of every month		ast 1		
	year					Aug-11	INR 4,000,000
						Jul-11	INR 4,000,000
						Jun-11	INR 2,000,000
						May-11	INR 2,000,000
						Apr-11	INR 2,000,000
						Mar-11	INR 2,000,000
						Feb-11	INR 2,000,000
						Jan-11	INR 2,000,000
						Dec-10	INR 2,000,000
						Nov-10	INR 2,000,000
						Oct-10	INR 2,000,000
						TOTAL	INR 30,000,000
					NUMB	ER OF MONTHS	12
	AVERAGE O	F ADVANCE I	IN THE PAST 1-Y	'EAR (A)	_		INR 2,500,000
11	CALCULATIO	ON OF CUMU	LATIVE AMOUN		ATION		
			Date of				
			Liquidation				Amount of
		<u>WA No.</u>	<u>(Note 1)</u>				Liquidation (Note 1)
		A0066	9-Sep-11				INR 1,507,890
		A0055	8-Aug-11				INR 1,234,567
		A0044	5-May-11				INR 789,012
		A0033	2-Feb-11				INR 345,678
		A0022	11-Nov-10				INR 123,456
	AMOUNT OF	CUMULATIV	E LIQUIDATION	IN THE PAS	T 1-YEAH	R (B)	INR 4,000,603
12	TURNOVER I Statement)	RATIO = amo	ounts (B)/(A) (to b	e stated in	item 7 of	Reconciliation	1.60
		This estimate	e is for the purpos	e of the borro	wer/EA's	monitoring of the	turnover ratio.
NOTES:							
	All amounts a	nd date of liqui	dation should be b	ased on data	available	at the LFIS/GFIS	
						t may be acceptab	le, if calculation of
						n (e.g., LFIS) or the	

Г

WITHDRAWAL APPLICATION FOR REIMBURSEMENT (A2-FORM 1)

Т

ccelerating Infrastructure Investment Facility in Ir	ndia-Tranche 2	ADB Loan No.
ate:		
		Application No.
Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines		
Attention: Loan Administration Division, Controller's Departme	ent (CTLA)	
r/Madam:		
In connection with the Loan Agreement dated	betwe	en the Asian Development Bank and the
(Borrow er)		e pay from the Loan Account:
Currency Amount to be paid (in figures) Amou	unt to be paid (in w ords)	
The said amount is required for payment or reimburseme attached summary sheet(s) or the statement of expenditu	e .	the said currency as described in the
The undersigned certifies and agrees as follow s:		
 These expenditures w ere/are/w ill be made for the pur previously w ithdraw n from the Loan Account or obtain or partially meeting these expenditures. 		
b. The goods or services have been procured in accorda thereof are reasonable and in accordance with the rel	0	ent and the cost and terms of the purchase
c. The goods or services were or will be produced in an	()	ntry of ADB as specified in the attached
summary sheets(s) or SOE, unless specifically permitt		
d. For expenditures claimed under SOE or a certificate for	or force account works (FA)	<i>N</i>) procedures,
all authenticating documents have been retained in the		ridual SOE and will be made available
for examination by auditors and ADB representatives u		
 As of the date of this application, there is no existing d Guarantee Agreement, if any. 	lerault under the Loan Agree	ement, the Project Agreement of the
 f. If any funds withdraw n pursuant to this application are the Loan Account or, if the amount is small, applied to 		
Payment Instructions:		
A. Payee's Name and Address		
Payee's Name		
Payee's Address		
B. Name and Address of Payee's Bank and Account N	lo.	
Bank Name		
Bank Address Payee's Account No.		
SWIFT Code (see note 11 of Appendix	7A)	
C. Correspondent Bank (If payee's bank is not located	· · · · · · · · · · · · · · · · · · ·	ncy is claimed, enter the name
and address of their bank's correspondent in the o Bank Name	country whose currency is to	b be paid.)
Bank Address		
Account No. of		
Payee's Bank		
SWIFT Code (see note 13 of Appendix	/ xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx	
D. Special Payment Instructions and Other References	;	
This application consists of pages including pages	ages of summary sheets or s	SOE.
om:		
Company of Arthurston - D	o optoti vo (c)	
Signature of Authorized Repres	sentative(s)	

Instructions in preparing the Withdrawal Application Form for Direct Payment and Reimbursement (ADB Form ADB-DRP/RMP)

General Instructions

1. Submit original Withdrawal Application (WA) to the Asian Development Bank (ADB) (or to its Resident/Regional Mission, if instructed).

2. Prepare a separate WA for each currency of payment and for each payee.

3. Number WAs consecutively, not exceeding five digits and/or characters.

4. The minimum value per WA is US\$100,000 equivalent, unless otherwise stipulated in the PAM. Individual payments below this amount should be paid (i) by the EA/IA and subsequently claimed to ADB through reimbursement, or (ii) through the imprest fund procedure (if such procedure is approved for the project), unless otherwise accepted by ADB.

5. When completed, verify the application for completeness of supporting documentation and accuracy of details before passing to the Authorized Representative(s) for signature. Mistakes and omissions result in delayed payment.

Withdrawal References

6. Date: Enter the date the WA is signed by Authorized Representative(s), not the date it was prepared.

7. Loan Number: Show ADB loan number clearly.

 Application Number: Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA., e.g., A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.

9. Type of Disbursement: Indicate in the appropriate box the type of WA claim, whether for Direct Payment or Reimbursement Procedure.

Payment Instructions

10. Payee Name and Address: Indicate full name and address of Payee for identification of payment.

11. Name and Address of Payee's Bank and Account No.: Indicate full name and address of the Payee's bank, which may include a banker and/or branch designation. Account number is important. Give SWIFT code if Payee's bank is a member of SWIFT.

For payments to anywhere in Europe, the International Bank Account Number (IBAN) and the related SWIFT Bank Identification Code (BIC) of payee's bank should be provided. If SWIFT BIC for the payee's bank is not available, provide the national clearing system code such as Fedwire Routing number (FW), CHIPS Universal Identifier (CH), UK Domestic Sort Code (SC), Australian Bank State Branch Code (AU), German Bankleitzahl (BL) account number with the correspondent bank, where applicable.

12. Correspondent Bank: Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.

13. Special Payment Instructions: Indicate any particulars, special instructions, or references to facilitate payment or identification of payment.

If SWIFT BIC for the correspondent bank is not available, provide Fedwire ABA Number and CHIPS Participant Number for US dollar payments; and special instructions or references to facilitate payment or identification of payment, where applicable.

14. Name of Borrower: Fill in name as it appears in the Loan Agreement.

 Authorized Representative(s): Pass this application only to Authorized Representative(s) for signature. Verify if the list of Authorized Representative(s) has been changed.

STATEMENT OF EXPENDITURES OF QUALIFIED SUBPROJECTS (A2-FORM 2)

is form SOE for:		be used under fin quidation/Replenish	ancial intermediation loa ment of Advance	ns to list i	Reimbursem		ins.					
DE Sheet	No.:	ADB Loan No.:			Application No.:				Date:			
ubloan No.	Sub-Borrow er	Industry Sector/ ISIC Code	Project Purpose and Description	Country of Origin	Subproject Cost	Subloan Amount Approved	ADB's Disbursement %	Subloan Amount to be Financed by ADB	Amount of Individual Payment Claimed	Date Paid	Cumulative Amount of Disbursement for the Subloan	Remarks (a)
1	2	3	4	5	6	7	8	9	10	11	12 (should be = or < column 9)	13
ADB = A	sian Developmer	t Bank, SOE = stat	ement of expenditures, ISI	C = Internati	onal Standard Indu	Istrial Classific	ation Code					
Agreem	ient, (ii) all do	cumentation au	e amounts have been thenticating these exp and (iii) payments hav	penditures	has been reta	CATION oper execut ined by the	Borrower an	d will be mad	e available f	or exami		

(a) Other information such as maturity, grace period, interest rate, security taken, and any other relevant data may be indicated.
 (b) Representative of executing/implementing agency that prepared the SOE.

SAMPLE AUDIT LETTER

ASIAN DEVELOPMENT BANK

South Asia Department Sector Division/Regional or Resident Mission

IIFCL Dear Sir/Madam:

[Date]

Subject: Accelerating Infrastructure Investment Facility in India Financial Reporting and Auditing Requirements

1. This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Facilities Financed by the ADB* (the Booklet) is enclosed to guide you.

2. ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes in which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

3. For this particular project, the requirements are stipulated in sections _____ and _____ of the loan agreement of ______ between ADB and IIFCL and sections _____ and _____ of the project agreement of ______ between ADB and IIFCL. Copies of the loan/project agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

4. The following are the main requirements:

ADB requires IIFCL to maintain separate accounts and records related to the project to ensure that the loan funds were used only for the objectives set out in the loan or facility agreements.

The first audited statement of utilization of funds to be submitted to ADB covers the fiscal year ending ______. As stipulated in the loan agreement, they are to be submitted up to six months after the end of the fiscal year. For this loan, the deadline is by ______. A sample report format, with explanatory notes, is attached as Annex A.

The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

Please ensure that your external auditor specifies in the auditor's report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the auditor's report by disclosing the key audit procedures followed.

The external auditor should give his opinion whether or not the audited statement of utilization of funds presents fairly, in all material respects, subprojects funded by ADB.

The external auditor's opinion is also required on whether:

- the proceeds of ADB's loan have been utilized only for the project as stated in the loan agreement;
- the financial information contains data specifically agreed upon between [name of the Borrower or EA] and ADB to be included in the financial statements;
- the financial information complies with relevant regulations and statutory requirements; and
- compliance has been met with all the financial covenants contained in the loan or project agreements.

The auditor's report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.

The audit report should also be accompanied by an Audit Management Letter (which sets out any deficiencies in the internal controls that govern the project and that were identified in the course of the audit, if any).

Actions on deficiencies disclosed by the external auditor in its report are to be resolved by IIFCL within a reasonable time. The external auditor is to comment in the subsequent auditor's report on the adequacy of the corrective measures taken by IIFCL.

Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Director/Country Director (Sector Division/Regional or Resident Mission)

cc: {External auditor of IIFCL}

Annex A

		USD Libor- based facility	INR Linker Bond	Subsequent INR Linker Bond	Subsequent INR Linker Bond
Opening balance Closing balance (gross undisbursed subproject Closing balance (ne subprojects) Previous year opening b Previous year closing b committed but undisbur Cumulative amount disb	s) t of undisbur balance alance (gross o sed subprojects	but rsed			
Subborrower name	Project cost	IIFCL commitment	ADB commitme	nt Disbursed	Libor-based facility or INR Linker Bond

5 Total

PRO FORMA PROJECT PROGRESS REPORT

A. Introduction and Basic Date

- 1. Provide the following:
 - (i) ADB loan number, project title, borrower, executing agency(ies), implementing agency(ies);
 - (ii) Total estimated project cost and financing plan;
 - (iii) Status of project financing including availability of counterpart funds and cofinancing;
 - (iv) Dates of approval, signing, and effectiveness of ADB loan;
 - (v) Original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
 - (vi) Date of last ADB review mission.
- **B. Utilization of Funds** (ADB loan, cofinancing, and counterpart funds)
- 2. Provide the following.
 - Cumulative contract awards financed by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with timebound projections (targets);
 - (ii) Cumulative disbursements from the ADB loan, cofinancing, and counter funds (expenditure to date), and comparison with time-bound projections (targets); and
 - (iii) Re-estimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

- 3. Provide the following.
 - (i) Status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
 - An assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
 - (iii) An assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
 - (iv) Other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

- 4. Provide the following.
 - (i) Assessment of project implementation arrangements such as establishment, staffing, and funding of the PMU;
 - Information relating to other aspects of the executing agency's internal operations that may impact on the implementation arrangements or project progress;
 - (iii) Progress or achievements in implementation since the last progress report;
 - (iv) Assessment of the progress of each project component, such as:

- a. Recruitment of consultants and their performance;
- b. Procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
- c. The performance of suppliers, manufacturers, and contractors for goods and works contracts.
- (v) Assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable targets, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress; and
- (vi) An assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

- 5. Provide the following.
 - (i) The Borrower's compliance with policy loan covenants such as sector reform initiatives and executing agency (EA) reforms and the reasons for any noncompliance or delay in compliance;
 - (ii) The Borrower's and EA's compliance with financial loan covenants including the EA's financial management and the provision of audited project accounts or audited agency financial statements; and
 - (iii) The Borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

6. Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

No.	Level 2 Results Framework Indicators (Outputs and Outcomes)	Targets ^a	Methods / Comments
1	Transmission lines installed or upgraded	289 km of 400 KV	Assumed 1 project is financed.
2	Installed energy generation capacity (megawatts) out of which renewable (megawatts)	[60] MW of clean energy capacity created	Assumed 2 projects of 30 MW each financed.
3	Roads built or upgraded–expressways and national highways	[1050] km	Assumed 7 projects of 150 km each financed.

km = kilometer, KV = kilovolt, MW = megawatt ^a Assumes that 10 PPP projects are financed. Source: Asian Development Bank.

ECONOMIC ANALYSIS

I. Introduction and Historical Background

1. India needs to grow fast to ensure the well-being of its young and growing population. One of the major impediments in achieving this objective is the deficient state of infrastructure. "The average infrastructure investment in India during the period 1992 to 2010 constituted 4.7% of GDP as against 7.3% across countries like China, Indonesia and Vietnam." ¹ According to the Planning Commission of India's approach paper to the Twelfth Five-Year Plan, 2012–2017,² the infrastructure investment required to sustain a gross domestic product (GDP) growth rate of over 8% is estimated to be around \$1 trillion during the plan period. This implies that the infrastructure investment to GDP ratio needs to increase from about 8% in FY2012 (the plan's base year) to around 10% by FY2017 (the plan's terminal year). Market indications and economic surveys however indicate a shortfall of public and private investment to meet the targets.³

2. **Historical background.** Historically, infrastructure finance was provided by development finance institutions (DFIs) created to provide long-term investments.⁴ While the reach of banks was expanded to extend working capital, DFIs mainly provided long-term finance.⁵ Low cost long-term funds were made available to DFIs from multilateral and bilateral agencies and government guaranteed bonds, which qualified for statutory liquidity ratio (SLR) investment. DFIs faced little competition as banks concentrated on working capital.

3. In FY2003, the Reserve Bank of India (RBI) set up a working group to address the regulatory and supervisory issues relating to term lending and refinancing institutions.⁶ The recommendations included to encourage banks to extend high-risk project finance with suitable government support to distribute risks and funding sources and develop appropriate credit appraisal and monitoring skills. Banks may also be permitted to raise long-term resources through the issuance of bonds to provide long-term project finance and for asset liability management (ALM). Meanwhile, DFIs raise long-term resources and extend long-term credit to fund long gestation projects, and are thus unlikely to succeed due to pressure from high-cost funds and exposure to high-credit risk sectors. DFIs are therefore dependent on government

¹ Government of India. 2015. Investment in Infrastructure: Strengthening PPP Policy Framework. New Delhi.

² Government of India. 2011. Faster, Sustainable and More Inclusive Growth: An Approach Paper to the Twelfth Five-Year Plan. New Delhi.

³ Government of India. 2015. Investment in Infrastructure: Strengthening PPP Policy Framework. New Delhi.

⁴ DFIs played a significant role in rapid industrialization of continental Europe. The first government sponsored DFI was created in the Netherlands in 1822. In France, significant developments in long-term financing took place from 1848 to 1852 after the establishment of DFIs such as Crédit Foncier and Crédit Mobiliser. In Asia, the establishment of Japan Development Bank and other institutions fostered the rapid industrialization of Japan.

⁵ DFIs can be broadly categorized as all-India or state and/or regional level institutions. Functionally, all-India institutions can be classified as (i) term-lending institutions (e.g., Industrial Finance Corporation of India, Industrial Development Bank of India, and Infrastructure Development Finance Corporation) extending long-term finance to different industrial sectors; (ii) refinancing institutions extending refinance to banking as well as non-banking intermediaries extending finance to agriculture (National Bank for Agriculture and Rural Development), small scale industries (Small Industries Development Bank of India), and the housing sector (National Housing Bank); (iii) sector-specific and/or specialized institutions (Export-Import Bank, Tourism Finance Corporation of India, Rural Electrification Corporation, Housing and Urban Development Corporation, Indian Renewable Energy Development Agency, Power Finance Corporation, Indian Railway Finance Corporation); and (iv) investment institutions (Life Insurance Corporation of India, Unit Trust of India, General Insurance Corporation of India, IFCI Venture Capital Funds Limited, ICICI Venture Funds Management Company Limited). State and/or regional level institutions include various state financial corporations and state industrial development corporations.

⁶ The RBI set up a working group to examine, within the broader framework of nonbank finance companies, various regulatory and supervisory aspects including access to short-term resources for the DFIs as a separate category.

support for their existence. The government should decide which areas require development financing, and only those DFIs that the government decides to support should continue. The remaining DFIs must convert to either a bank or a non-bank finance company as recommended by the Narasimham Committee, and they should be subject to RBI regulations.⁷ In the context of the demise of DFIs, the role of banks in financing infrastructure has increased.

II. Emerging Issues in Bank Financing for Infrastructure

4. The RBI has mandated the full implementation of Basel III by 31 March 2019. According to Fitch Rating, India, private sector banks are well placed to meet increased capital requirements under Basel III. Public sector banks however will have to rely on government capital infusions or raising external capital. As these public sector banks have significantly been financing infrastructure projects, the additional capital requirements puts further pressures on the funding requirements of the Indian infrastructure sector.⁸ Section II examines key aspects for banks in India and provides an assessment of banks' ability to meet infrastructure financing needs.

5. **Asset and liability management (ALM).** In order to understand the possible impact of infrastructure lending on asset liability mismatches of the banking sector, the RBI analyzed the impact on ALM from total non-food gross bank credit and term deposits in total deposits.⁹ The analysis showed that the proportion of infrastructure credit in total non-food gross bank credit is positively correlated with ALM mismatches. However, the proportion of term deposits was negatively correlated. Recognizing the possible adverse impact of infrastructure financing by banks on their ALM, the RBI has taken various measures, including permitting banks to enter into take-out financing arrangements with other financial institutions.

6. From March 2006 to September 2010, banks reported an asset–liability mismatch of 14% of long-term assets, indicating that the creation of long-term assets exceeded the mobilization of long-term liabilities. The bucket-wise analysis of this asset–liability mismatch in the long-term buckets shows that banks have created the highest asset–liability mismatch positive gap in the ">5 years" category (42.1%) compared to the "3–5 years" (31.0%) and "1–3 years" (26.9%) categories. As infrastructure exposure of the banking system rose to 15% of non-food credit as of March 2014 from 4.5% in March 2002, a large portion of these loans to long-term infrastructure assets have been funded by short-term deposits, thereby presenting serious asset-liability mismatches on bank's balance sheets.¹⁰

7. **Deterioration of asset quality.** The domestic banking sector, which is dominated by public-sector banks, has been troubled by an increase in nonperforming loans (NPLs) in recent years. In September 2014, the ratio of gross NPLs to total loans rose to 4.5% for the banking sector as a whole. With the addition of restructured loans, the ratio of "stressed" loans to total loans stands at around 10.7%.¹¹ As of September 2014, the infrastructure sector contributed the most to restructured accounts with a total loan amount of Rs530 billion, followed by iron and steel at Rs427 billion and power at Rs310 billion.¹²

⁷ Reserve Bank of India. 1998. Committee on Banking Sector Reforms (Narasimham Committee II). Mumbai.

⁸ ADB. 2015. Technical Assistance to India for Enabling Monetization of Infrastructure Assets in India. Manila.

⁹ Reserve Bank of India. 2012. Report on Trend and Progress of Banking in India 2011-12. Mumbai.

¹⁰ ADB. 2015. *Technical Assistance to India for Enabling Monetization of Infrastructure Assets in India*. Manila. ¹¹ *The Economist*. 2015. Financial Services Industry Report. 21 April.

¹² ADB. 2015. Technical Assistance to India for Enabling Monetization of Infrastructure Assets in India. Manila.

8. Overall, banks are ill equipped to provide the long-term financing required for infrastructure projects as demonstrated by the asset liability mismatch in their balance sheets and the increase of stressed assets. To ensure the most efficient allocation of capital, there is a need to make infrastructure projects commercially viable and to strengthen the corporate bond market to reduce dependence on banks for finance.¹³ The Government of India is committed to develop the corporate bond market and to support specialized financial intermediary such as the India Infrastructure Finance Company Limited (IIFCL) in playing a key role in infrastructure financing.

III. Role of India Infrastructure Finance Company Limited

9. In the context of the need for financing public–private partnership projects and the inherent risks, India Infrastructure Finance Company Ltd. (IIFCL) plays a unique risk mitigation role in the market. As a result of the IIFCL scheme wherein IIFCL raises domestic and international capital, India is able to mobilize private capital for infrastructure.

10. **Subordinate debt.** Given the higher risks of projects on account of various sector issues and over-leveraging, the subordinate debt option offers a critical line of flexibility to borrowers. Accordingly, IIFCL offers subordinate debt, subject to the following: (i) the concession agreement should provide for an escrow account that would secure the annual repayment of subordinate debt before returns on equity are paid; (ii) in case of termination of the concession agreement, the concessioning authority will pay a termination payment of at least 80% of the subordinate debt on account of a concessionaire default or concessioning authority default during the operation period of the concession in the escrow account as mentioned in the model concession agreement; (iii) the subordinate debt shall not exceed 10% of total project cost and shall form part of the maximum limit of 20%;¹⁴ and (iv) subordinate debt borrowed by the project company from any or all sources shall not exceed one half of its paid up and subscribed equity, and subordinate debt shall not be converted into equity.

11. **Take-out finance.** IIFCL offers take-out financing to sustain longer tenor bank debt, address sector or group or entity exposure issues and asset–liability mismatch concerns of existing banks, and facilitate participation of new banks. In case of take-out financing, IIFCL's total exposure, including direct lending, shall not exceed 30% of the total project cost, subject to applicable regulatory norms. Take-out financing transactions will be executed only for loans that are classified as standard assets. IIFCL will have the option to restructure loans taken out to suit the project and cash flows. Such restructuring may include increasing the extent of debt funding in the project if allowed by the project cash flows. However, such an option will be exercised in accordance with the inter-creditor agreement.

12. **Direct lending.** Financing only 20% of the capital costs, IIFCL functions as part of a lending consortium and supports commercially viable projects. The limited financing provided by IIFCL ensures that it builds a diversified portfolio and does not suffer from a lumpy investment profile that has caused distress to DFIs. In this respect, IIFCL will benefit from the public-private partnership development initiatives currently underway. IIFCL does not undertake subproject origination and/or have directed lending requirements. The presence of IIFCL results in efficient capital allocation in financial institutions engaged in infrastructure. While the combined

¹³ Reserve Bank of India. 2012. Asset Liability Mismatches (ALMi) in the Indian Banking Sector-The Extent, Persistence and Reasons. Mumbai.

¹⁴ Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called the India Infrastructure Finance Company Limited (SIFTI).

exposures of financiers may be insufficient to meet project needs, an additional source of funding through IIFCL can fill the financing gap.

13. **Stronger mandate**. Infrastructure development is a key priority for the current government. In FY2015, it strengthened IIFCL balance sheets through a capital injection of INR600 crore (equivalent of \$95 million). IIFCL has received the permission to act as a lead bank and to invest in a wider range of eligible sectors including railway, tourism, and social and urban infrastructure.

14. **Sub-project criteria**. The economic analysis cannot be conducted ex-ante for the proposed tranche since IIFCL will still submit selected projects from the agreed pipeline list for ADB endorsement and financing. However, the eligibility requirements for subproject and subborrower selection criteria includes, *inter alia*, appraisal of the subproject economic viability and review and acceptance of the results of the appraisal by the lead bank. In addition, subprojects will be required to meet the ADB requirements as well as to follow the subproject approval procedures details of which are stipulated in the Loan Agreement, FFA, and will include safeguard and procurement compliance requirements.

IV. General Outlook for Infrastructure Sector, Local Currency Funding and Internationalization of the Indian Rupee

15. **Outlook for infrastructure development**. The new government places emphasis on infrastructure development as a key driver in strengthening the manufacturing sector and expanding economic corridors to create jobs and opportunities for its citizen. It embarked on reforms to address major infrastructure constraints. In April 2015, it introduced the land acquisition bill to Parliament. The bill makes it easier for industries and infrastructure firms to acquire land for projects, including in rural India.¹⁵ The bill is currently stalled in the upper house of Parliament, where the governing party lacks a majority. The government is currently using executive orders to facilitate land acquisition. The expectation of greater investor confidence as a result of anticipated legal and regulatory changes, and a declining interest rate environment, will contribute to greater demand for infrastructure projects. It is crucial to provide IIFCL in the current situation with long-term funds required to finance India's daunting infrastructure challenges.

16. **Local currency funding**. The proposed second periodic financing request has a built-in option to draw ADB funds in local currency. Upon request, ADB will issue an off-shore local currency bond, denominated in Indian rupees but settled in US dollars. In the past, IIFCL has received US dollar funding and swapped it into local currency since project lending is typically in Indian rupee. Since swap markets do not go beyond 10 years, IIFCL faces rollover risk at the time of renewal of the swaps that hedge their long-term USD dollar debt. The local currency option provides IIFCL with a cost efficient way to manage its foreign exchange risk.

17. **Internationalization of the Rupee.** While the local currency bond will be settled in USD (due to the limited convertibility of the rupee) it will expose investors to the Indian currency. This is a first step in internationalizing the rupee and reflects India's growing role in the world economy. "An international currency should function as unit of account, a means of exchange, and a store of value not only within but also outside the borders of the issuing country."¹⁶ It may

¹⁵ *The National.* 2015. In India, Modi's Land Acquisition Bill Faces Fierce Opposition. 20 April.

¹⁶ K. Tao and L. Zhang. 2014. The Benefits and Costs of Renminbi Internationalization. ADBI Working Paper Series. No. 481. Tokyo: Asian Development Bank Institute.

also contribute to stabilizing the Indian rupee by generating demand for the currency, which has weakened since 2013.

FINANCIAL ANALYSIS: INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

1. The financial analysis considers (i) the financial position of India Infrastructure Finance Company Limited (IIFCL) and finds it to be adequate and (ii) the financial projections of IIFCL and concludes that IIFCL will have the loan demand and capital resources to support the proposed second periodic financing request of \$300 million under the existing facility.

CAELS Analysis¹ Α.

2. Capital. IIFCL has adequate equity. The ratio of equity to managed assets was 10.0% at year-end FY2015. Supported by increasing profitability and periodic government capital injections, the trend is stable (Table 1). In FY2015, IIFCL received a government capital infusion of Rs crore 600 (\$95 million), reflecting the current government's emphasis on providing active support to infrastructure development.

Table 1: Equity Position of IIFCL, FY2011–FY2015					
ltem	2011	2012	2013	2014	2015
Equity to managed assets	10.50%	12.30%	8.24%	8.51%	9.98%
Debt to equity	8.3x	7.0x	6.2x	8.9x	n/a
Source: IIFCL					

IIFCL's regulatory capital is adequate. At year-end FY2015, IIFCL's capital adequacy 3. ratio was 27.11% (reviewed) up from 24.82% (audited) in FY2014. The trend has been positive and is comparable, if not slightly higher to peer institutions.

4. Asset quality. IIFCL's loan portfolio has grown quickly because of its small initial size and the strong demand for infrastructure financing. After doubling its portfolio in FY2010 and increasing it by almost half in FY2011, gross loan growth was 35% during both FY2012 and FY2013. This growth rate is still higher than the average of 31% for Infrastructure Development Finance Company (IDFC) and 25% for Power Finance Corporation (PFC) during FY2010-FY2012, but reflects that IIFCL was only established 2006.

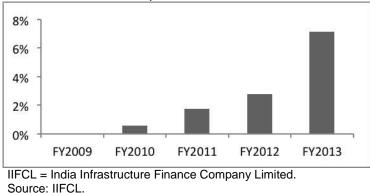
IIFCL's reported nonperforming loan ratio is low. During FY2010-FY2013, it was below 5. 1%. It slightly increased to 1.35% in FY2014 and 1.56% in FY2015.

6. However, IIFCL's nonperforming loan ratio is somewhat misleading. Financial institutions in India have more flexibility than under other regulatory and accounting regimes to restructure infrastructure loans without classifying them as nonperforming. When the percentage of restructured loans is added to IIFCL's nonperforming loans, it suggests weaker credit quality with a deteriorating trend (Figure 1). Recognizant of this fact, the Reserve Bank of India (RBI) issued a circular advising that provisions should be increased to 3.50% for existing restructured standard accounts in a phased manner during 2013-2014 and to 5% for new restructured standard accounts starting from 1 June 2013.²

¹ CAELS stands for capital, asset quality, earnings, liquidation, and sensitivity to market risk. It is a derivation of a common industry framework, the CAMELS analysis. The "M" in CAMELS stands for management. The management component of the analysis was omitted because the Financial Management Assessment substantively addresses these issues.

² IIFCL. 2014. Annual Report 2013-2014. New Delhi.

Figure 1: Gross Nonperforming and Restructured Loans of IIFCL as a Percentage of Loans, FY2009–FY2013



7. Because of its mandate, IIFCL's portfolio has a concentrated exposure to infrastructure. Subsector diversification somewhat mitigates this risk (Figure 2), but ultimately IIFCL needs to continue to hold additional equity beyond the regulatory minimum to mitigate the risk. To assess the equity requirement, IIFCL will need to implement an economic capital model and should meanwhile continue to maintain conservative equity levels.

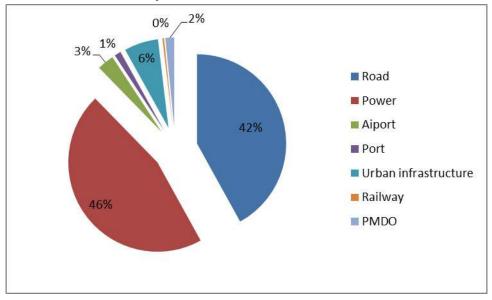


Figure 2: Net Sanctioned Exposure of IIFCL to Infrastructure Subsectors, FY2014

PMDO = pooled municipal debt obligations. Source: IIFCL.

8. IIFCL restricts exposure to a single project to 25% and to a group to 40% of capital funds. As of 30 May 2015, there are no sanctioned projects exceeding these limits.

9. Because of IIFCL's young institutional age, its loan portfolio is unseasoned. Loans typically encounter difficulties several years after the first disbursement, so the nonperforming loan ratio for an unseasoned portfolio may not fully reflect portfolio quality and underwriting standards. Meanwhile, it increases the need for IIFCL to maintain conservative equity ratios.

10. Credit risk beyond the loan portfolio is low. The investment portfolio is limited to government and government-related securities. Deposits are placed with state-owned banks. IIFCL limits its counterparties for derivative transactions to major international institutions.

11. **Earnings.** IIFCL's earnings are adequate. In FY2014–FY2015, the return on average assets was 1.41% and 1.97% respectively. Because IIFCL's assets reprice more frequently than its liabilities, its earnings will increase in a rising interest rate environment. The expectations are for RBI to cut interest rates slightly during 2015. Overall, any adverse impact on earnings of lower interest rates is anticipated to be balanced by stronger demand for infrastructure financing.

12. IIFCL's ratio of operating expenses to average assets remained very low at 0.31% during FY2013–FY2015 suggesting high efficiency in managing its loan portfolio. IIFCL has recently increased staffing to 95 in anticipation of IIFCL's broadened mandate. In FY2015, the government approved IIFCL's possible role as a lead bank and the expansion of eligible sectors including railway, tourism, and urban and social infrastructure.

13. **Liquidity.** Liquidity is adequate. IIFCL is not dependent on short-term financing and benefits from access to long-term stable funding through its domestic bonds and multilateral development loans.

14. Operations generate sufficient cash flows to meet interest expenses. The ratio of EBITDA (earnings before interest, tax, depreciation, and amortization) was 1.4 in FY2014 and indicates that IIFCL will be able to rollover maturing debt.

15. Systems to monitor liquidity have improved. As per a loan covenant in Tranche 1, IIFCL instituted liquidity gap monitoring to compare expected cash inflows and outflows during a specific period. It started to submit these reports to RBI in January 2015.

16. IIFCL's liquidity policy requires it to maintain at any point in time liquidity position equal to working capital requirements of at least 2 quarters, which is sufficient to meet its loan obligations, including those from ADB and other financial institutions, among others. Fixed bank deposits can be liquidated on demand as needed. In addition, IIFCL has proven access to raise funds to supplement its funding requirements by: (i) accessing the rupee debt markets; (ii) tapping the central bank's foreign currency reserves; and (iii) securing term loans from institutions that run nationalized insurance and saving schemes. In this case, the INR bullet payment to ADB of \$50 million equivalent will be repaid through new.

17. **Sensitivity to market risks.** IIFCL is primarily exposed to two types of market risks: interest rate risk and foreign exchange risk. Interest rate risk arises because of mismatches in the repricing of IIFCL assets, which generally reprice every 1–3 years, and its liabilities, which are generally long term and fixed rate. If interest rates fall, IIFCL earnings will decrease, all things being equal, because its assets will reprice more quickly at the new lower rates than its liabilities. RBI is anticipated to cut interest rates during 2015.

18. Foreign exchange risk arises through IIFCL foreign borrowings. IIFCL borrows from the Asian Development Bank (ADB) and others in dollars at maturities of up to 25 years. It then swaps these borrowings into local currency. Yet, the maximum maturity in the domestic swap market is 10 years. Therefore, if the dollar has appreciated at the time of swap renewal, IIFCL will incur a foreign exchange loss. The proposed local currency financing under Tranche 2 is

expected to address these constraints by effectively reducing foreign exchange risks under the ADB financing for IIFCL whose lending is predominantly in local currency.

19. IIFCL is developing systems to manage market risks. Implementing its integrated management information system will provide the data platform, and the IIFCL board has approved a plan to implement a framework for market risk management. The market risk management system was advertised in early 2015 and it currently under review by KPMG.

B. Financial Projections

20. **Base-case projections.** IIFCL's financial projections for the next 5 years anticipate strong loan growth at an average annual rate of 23.7% (Table 2). This growth will increase IIFCL borrowing requirements from \$6.4 billion as of FY2013 to \$13.4 billion by FY2018. As such, the proposed investment facility will constitute a relative small portion of IIFCL's anticipated borrowings. In FY 2014, IIFCL exceeded its projections on loan volume.

Table 2: IIFCL Base Case Financial Projections, FY2012–FY2018 (C million)

	(\$ million)		
	FY2016	FY2017	FY2018
Item	Forecast	Forecast	Forecast
Loans	6,895	8,682	10,594
Other assets	1,959	2,241	2,538
Total assets	8,855	10,924	13,131
Liabilities	7,709	9,536	11,489
Equity	1,146	1,387	1,642
Total liabilities and equity	8,855	10,924	13,131
Loan growth (%)	22	19	17
CRAR proxy ^a (%)	11	11	11

CRAR = capital to risk-weighted assets ratio, FY = fiscal year, IIFCL = India Infrastructure Finance Corporation Limited.

Note: Exchange rate used is \$1.00 = Rs64.

^a This proxy is the ratio of equity to total loans. It assumes that all IIFCL assets receive a regulatory risk weighting of 100% and that IIFCL has no tier 2 capital. Therefore, IIFCL's true CRAR will probably be substantially higher. Source: IIFCL.

21. **Scenario analysis.** ADB has worked with IIFCL to assess the impact of several downside scenarios. The first examined IIFCL's ability to expand without additional equity investments from the Government of India. In this scenario, IIFCL's average annual loan growth would slow from 23.7% to 8.7%.³ Consequently, its borrowing requirements would fall to \$2.5 billion. Yet, even at this level, the investment facility would represent a modest portion of IIFCL requirements.

22. The second scenario examined IIFCL capacity to absorb a credit shock without breaching its minimum regulatory capital ratio of 12%. Based on a starting tier 1 ratio of 21.9% as of FY2013, the IIFCL nonperforming loan ratio could increase from the current less than 2% to over 8% without breaching regulatory capital requirements.

³ Key assumptions include IIFCL's forecast of an annual return on assets of 2.87%, other assets remain constant and carry a 50% capital adequacy risk weighting, and IIFCL suspends dividends.

23. The third scenario assessed IIFCL ability to maintain operations without access to additional funding (e.g., inopportune timing for debt issuance because of market turbulence, delayed access to loans from development institutions). As at FY2013, IIFCL had a net liquidity position of Rs38.7 billion. Its net cash flows, less the proceeds from share issuance and long-term borrowing was Rs91 billion, which suggests that IIFCL could maintain operations at FY2013 levels for more than 5 months without access to additional funding.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	India	Project Title:	Accelerating Infrastructure Investment Facility in India–Tranche 2				
Lending/Financing Modality:	Multitranche Financing Facility	Department/ Division:	South Asia Department Public Management, Financial Sector and Trade Division				
I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY Poverty targeting: General Intervention							

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

1. The investment supports poverty reduction development goals of the Government of India and the Asian Development Bank (ADB) for India.

2. Poverty reduction and social development through faster, more inclusive and sustainable growth is the goal of the Twelfth Five-Year Plan (FYP), FY2012–FY2017 of the Indian Government. The Planning Commission of India's approach paper to the plan identifies infrastructure bottlenecks and the lack of adequate long-term funds for infrastructure investments as key constraints to realizing equitable and sustainable growth and bridging the divisions between regions and sectors. The approach paper further states that "good quality infrastructure is the most critical requirement for attaining faster growth in a competitive world and also for ensuring investment in backward regions."

3. The country partnership strategy (CPS) 2013–2017 of the Asian Development Bank (ADB) for India is closely aligned with the Twelfth FYP and ADB's Strategy 2020. ADB support to India emphasizes robust infrastructure development to foster rapid growth, attract private investments, improve connectivity, increase productivity and competitiveness, and access to services. Country assistance and program evaluation (CAPE) cites evidence that ADB assistance for infrastructure development had an impact on economic growth, which helped mitigate income poverty. The key lessons are that ADB needs to continue its focus on infrastructure development, but should also mainstream innovative business and financing modalities, such as support for public-private partnership (PPP) infrastructure projects. The proposed facility seeks to expand the availability of funding sources for infrastructure projects, which will significantly assist in expanding the availability of high-quality infrastructure in India.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. There will be a direct impact on poverty reduction through the enhanced infrastructure availability. The impact will occur through improved infrastructure assets and financial sector strength that will increase productivity of the poor through improved access to employment and markets, and through improved infrastructure assets and financial sector strength. Moreover, improved infrastructure will facilitate better investment in human capital and will reduce the vulnerability of the poor to economic shocks. Public policy reforms and investment in physical infrastructure will significantly contribute to the pursuit of socially inclusive development. The proposed project also includes a focus on financial sector development in general and bond market development in particular. Financial sector instability undermines poverty reduction as the poor are more vulnerable to financial sector weaknesses though negative macroeconomic impacts that normally accompany financial sector instability.

2. Beneficiaries. Local communities, shopkeepers, farmers and other affected people strongly support the project in anticipation of benefits brought about by improved transport facilities, employment opportunities, and boost in economic development, which will provide direct and indirect benefits in the long run.

3. Impact channels. Increased investment in infrastructure, particularly private sector investment in public-private partnerships (PPP) will be facilitated. This will help provide access to various economic opportunities, facilitate movement of trade and ensure financial sector stability that will benefit the poor and vulnerable groups in the process.

4. Other social and poverty issues. The project aims to provide major infrastructure such as highways, transmission networks and renewable energy. Other social benefits that deal directly with the local communities (e.g. schools, hospitals) may be undertaken by other development partners in the future.

5. Design features. The key anticipated impact on poverty will be through financial sector development and greater affordability of high quality infrastructure. More efficient and lower cost infrastructure would lead to greater affordability and higher usage among the poor leading to an improvement in their productivity and income.

II. PARTICIPATION AND EMPOWERING THE POOR					
 Participatory approaches and project activities. The enhanced availability of long-term finance for PPP subprojects will help in financing at least 10 PPP subprojects that will benefit subproject areas. Civil society organizations. The EPC contractors have conducted consultations in the form of focus group discussions and surveys to identify project affected persons. These FGDs and surveys guide the contractors in determining compensation and remuneration packages in the event of any land acquisition or damage to crops due to civil works related to subproject. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): 					
NA Information gathering and sharing NA Consultation NA Collaboration NA Partnership					
5. Participation plan. Yes. No. No direct interaction with civil society					
III. GENDER AND DEVELOPMENT					
Gender mainstreaming category: No Gender Elements					
A. Key issues. While the project will not have direct gender benefits, an indirect gender impact is envisaged in the form of improved and more affordable infrastructure services. Female and male entrepreneurs alike have suffered due to the lack of quality infrastructure, such as a regular power supply for production units and roads for market access. Women will spend less time collecting water and fuel when better infrastructure is available to them, allowing them more time to engage in other livelihood activities. A regular water supply and adequate drainage improves working conditions for women in the informal sector, who usually work from home in rural India, and affordable infrastructure will assist women and other vulnerable groups through better quality health care and access to education.					
B. Key actions.					
Gender action plan Other actions or measures No action or measure					
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES					
A. Involuntary Resettlement Safeguard Category: A B C X FI					
1. Key impacts. No significant resettlement is expected as Category A subprojects are excluded. Land for subprojects is generally acquired prior to ADB funding or through negotiated settlement. Projects usually come to IIFCL after the technical closure and all activities pertaining to land acquisition and compensation, if any, have already been initiated and/or accomplished. Subprojects under the AIIFI, therefore, do not trigger any involuntary resettlement impacts.					
2. Strategy to address the impacts. IIFCL has an appropriate ESSF in place to address the likely key impacts of Tranche 2. The ESMU checks for subproject compliance with applicable national regulations during the due diligence study and audit. The due diligence reports (DDRs) are then submitted to ADB for verification and clearance. Monitoring and assessment of safeguards compliance is based on the Lender's Independent Engineering (LIE) report and site visits. Selection of project sites is done in consultation with ADB for any pertinent social issues in the subprojects.					
3. Plan or other Actions. □ Resettlement plan □ Combined resettlement and indigenous peoples plan □ Resettlement framework □ Combined resettlement framework and indigenous peoples plan ☑ Environmental and social management system arrangement □ Social impact matrix					
B. Indigenous Peoples Safeguard Category: A B B C K					
1. Key impacts. No impacts are anticipated. Is broad community support triggered? Yes No 2. Strategy to address the impacts. Not applicable. Second the sections. Combined resettlement plan and indigenous peoples plan and indigenous peoples plan Indigenous peoples planning framework Combined resettlement plan and indigenous peoples plan Environmental and social management arrangement Combined resettlement framework and indigenous peoples planning framework Social impact matrix Indigenous peoples plan elements integrated in project with a summary					

V. ADDRESSING OTHER SOCIAL RISKS
A. Risks in the Labor Market
 Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).
L unemployment L underemployment L retrenchment L core labor standards
2. Labor market impact. Not applicable.
B. Affordability
Not applicable.
C. Communicable Diseases and Other Social Risks
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):
L Communicable diseases L Human trafficking
 Others (please specify) Risks to people in project area.
Corporate social responsibility initiatives will ensure that awareness on HIV and other livelihood activities for women
will encourage subprojects to undertake gender specific interventions to reduce such risks in the process.
VI. MONITORING AND EVALUATION
 Targets and indicators. As the project is a financial intermediation, the project's major target is to catalyze over \$3.5 billion of private sector investment for financially closing subprojects by FY2019. IIFCL, as the project FI, will serve as the intermediary between ADB and the project owner (SPV) in terms of monitoring for performance. Required human resources. IIFCL, as the project FI, will serve as the intermediary between ADB and the project FI, will serve as the intermediary between ADB and the project FI, will serve as the intermediary between ADB and the project owner (SPV) in terms of monitoring for performance. Information in the project administration manual. Project review and monitoring will be submitted in the form of audit sheets and performance reports, which will be submitted by IIFCL on an annual basis. These will contain compliance monitoring in line with the ESSF and environment and social safeguards as prescribed in the ADB SPS.
4. Monitoring tools. As the project is a financial intermediation, the project's major target is to catalyze over \$3.5 billion of private sector investment for financially closing subprojects by FY2019. IIFCL, as the project FI, will serve as the intermediary between ADB and the project owner (SPV) in terms of monitoring for performance.
Courses Dianning Commission Coursement of India 2012, Foster Mars Industries and Sustainable Crowth New

Sources: Planning Commission, Government of India. 2013. *Faster, More Inclusive and Sustainable Growth*, New Delhi; Asian Development Bank. 2013. *Country Partnership Strategy: India 2013-2017*. Manila.

INDICATIVE LIST OF SUBPROJECTS FOR TRANCHE 2 PROPOSED BY INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

Α.	Direct Lending	

S. No.	Scheme	Name of Project	Sector	NHAI/SH/ Transmission /Thermal/	Original Project Cost	Net Sanction (Rs in	Net Sanction (USD in	Indicative Environmental Risk
				Solar/Wind /Hydro, etc.	(Rs in crore)	crore)	million)	Categorization
1	Direct Lending	DJ Energy Pvt. Ltd.	Power	Wind	663.53	132.00	21.29	В
2	Direct Lending	Jasdan Energy Pvt. Ltd.	Power	Wind	211.00	42.00	6.77	В
3	Subordin ate Debt	Mora Tollways Limited	Road	SH	0.00	53.00	8.55	В
4	Direct Lending	Mytrah Vayu (Guajarat) Pvt. Ltd.	Power	Wind	392.03	78.00	12.58	В
5	Direct Lending	Patran Transmission Company Ltd.	Power	Transmission	200.00	40.00	6.45	В
6	Direct Lending	SEI Sitara Pvt. Ltd.	Power	Solar	272.10	54.00	8.71	В
7	Direct Lending	Solapur Tollways Pvt. Ltd.	Road	NHAI	882.62	160.00	25.81	В
8	Direct Lending	Azure Clean Energy Pvt. Ltd.	Power	Solar	270.78	31.40	5.06	В
9	Direct Lending	Energon Power Resources Pvt. Ltd. (Phase-II)	Power	Wind	773.00	150.00	24.19	В
10	Direct Lending	Kaithal Tollway Pvt. Ltd.	Road		2290	200.00	32.26	В
11	Direct Lending	Essar Vizag Terminals Ltd.	Port		745	149.00	24.03	В
12	Direct Lending	Cargo Solar Power Gujarat Private Limited	Power	Solar Thermal	750	96.00	15.48	В
13	Direct Lending	NRSS XXXI (B) Transmission Limited	Power	Transmission	678	135.00	21.77	В
	1	TOTAL		1	8,128.06	1,320.40	212.95	

	B. Takeout						
S. No.	Scheme	Name of Project	Sector	Sub Sector	Net Sanction (Rs in crore)	Net Sanction (USD in million)	Indicative Environmental Risk Categorization
1	TFS	DS Toll Road Ltd	Road		124.50	20.08	В
2	TFS	Renew Wind Energy (Rajkot) Pvt. Ltd. – Jasdan	Power	Wind	41.60	6.71	В
3	TFS	Trichy Tollways Ltd.	Road		200.00	32.26	В
4	TFS	Welspun Urja Gujarat Pvt. Ltd.	Power	Solar	67.00	10.81	В
5	TFS	Kalyan Keti Toll Pvt. Ltd.	Road		99.82	16.10	В
6	TFS	Manawar Kukshi Tollways Pvt. Ltd.	Road		27.32	4.41	В
7	TFS	Renew Wind Energy (Rajkot) Pvt. Ltd. – Vaspeth	Power	Wind	88.50	14.27	В
8	TFS	Renew Wind (Jath) Pvt. Ltd.	Power	Wind	181.50	29.27	В
9	TFS	Sunborne Energy Gujarat One Pvt. Ltd.	Power	Solar	39.00	6.29	В
10	TFS	GVRMP Whagdhari Ribbanpally Tollway Pvt. Ltd.	Road		94.25	15.20	В
11	TFS	Khagaria Purnea Highway Project Limited	Road		172.00	27.74	В
12	TFS	Orange Jaisalmer Wind Energy Private Limited	Power	Wind	66.00	10.65	В
13	TFS	Orange Renewable Power Private Limited	Power	Wind	39.00	6.29	В
14	TFS	Bindu Vayu Urja Private Limited	Power	Wind	300.00	48.39	В
15	TFS	Mytrah Vayu (Pennar) Private Limited	Power	Wind	100.00	16.13	В
		TOTAL			1,640.49	264.60	

B. Takeout

ASSESSMENT OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED'S ENVIRONMENTAL AND SOCIAL MANAGEMENT UNIT DURING TRANCHE 1

1. **Implementation under Tranche 1.** IIFCL's environmental and social management unit (ESMU) adequately performed during the first tranche. In compliance with a condition subsequent of that tranche, IIFCL has recruited a permanent head for its environmental and safeguards management unit.

2. Environment and Social Due Diligence Reports (ESDDRs) from subprojects under Tranche 1 were reviewed as part of environment and social safeguards due diligence.

For the environment safeguards, no major safeguard issues were identified and no 3. major gaps in the implementation of the environmental management plan at the subproject level currently exist. The grievance redress mechanism is established at IIFCL level and is not part of the ESSF or managed by the ESMU. No complaints were received during implementation. Audit sheets/reports have been submitted by IIFCL to record the subprojects' performance and compliance with environment and social safeguards. Review missions have been conducted to check for compliance. One of the issues identified during due diligence was related to weak implementation of routine construction impact and safety mitigation measures by the concessionaires. Key areas for improvement include: (i) use of personal protective equipment, (ii) safety of movement in the construction sites, (iii) provisions for first aid, and (iv) insurance for laborers in line with regulatory requirements. The ESMU was also advised to observe the following conditions: (i) ensure that all statutory environmental clearances/approvals/consents are obtained and renewed, as necessary; (ii) commence civil works only after obtaining necessary permits and clearances; and (iii) undertake regular field verification by its safeguards team to assess and confirm compliance with the agreed environmental measures with the concessionaire, including public consultations during execution.

4. Hazaribagh-Ranchi, a project highway committed to four laning a part of NH-33, has achieved provisional COD on 15 September 2012. Annuity payment has started. Per the Lender Engineer's report of July 2014, the subproject developer, Hazaribagh-Ranchi Expressways Limited (HREL) has already submitted their application for full COD certificate with NHAI. The subproject has all the required national and local level environmental clearance, permits and approvals for project implementation, except for the inclusion of the Ramgarh bypass. No Environmental Clearance for said bypass has been applied for with the MoEF. Since concessionaire is not keen on pursuing clearance application, this demonstrates non-compliance by HREL. In this regard, the Hazaribagh-Ranchi subproject has been removed from the project list for Tranche 1. IIFCL, in coordination with ADB, will then re-allocate the remaining funds initially intended for Hazaribagh-Ranchi to other qualified subprojects under Tranche 2.

5. For the social safeguards, no major resettlement issues were identified. The lands for the subprojects are usually acquired prior to ADB funding or through negotiated settlement between willing-buyer and willing-seller. Grievance redress mechanisms are established and no complaints were received during implementation. No issue on indigenous people has been reported during the implementation of Tranche 1. Capacity needs to be further improved in terms of observing social safeguard requirements. Key areas for improvement include: (i) conduct of meaningful consultations with affected people and stakeholders; (ii) information disclosure; (iii) preparation of compensation and assistance packages; (iv) livelihood generation defining how many affected persons have been able to re-establish themselves to pre-project levels; and (v)

monitoring to keep abreast with developments in IIFCL and further strengthen ADB's engagement with IIFCL and the government for future interventions in infrastructure financing.

6. **Strengthening compliance with environmental and social safeguards framework (ESSF).** To strengthen compliance with the ESSF, ADB proposed several loan amendments and conditions to loan effectiveness under Accelerating Infrastructure Investment Facility in India Tranche 2, as contained in the table.

Loan Amendments and Conditions to Loan Effectiveness under Accelerating Infrastructure Investment Facility in India Tranche 2

Infrastructure Investment Facility in India Tranche 2						
Change	Form					
The Borrower completes ESMU site visits to the GVK Bagodara Vasad Expressway Pvt. Ltd, ACP Tollways Pvt. Ltd., GMR Hyderabad International Airport Ltd., and MEP Infrastructure private Ltd. OFR 1 subprojects.	Condition Precedent					
The Borrower completes an ESMU site visit and prepares a compliance report of at least two of PFR's indicative subprojects.	Condition Precedent					
The Borrower submits their first annual monitoring submission for PFR 1 covering February 2014 to January 2015.	Condition Precedent					
All ADB Category A environment, involuntary resettlement, and indigenous people subprojects are excluded. IIFCL needs to confirm that a subproject is not Category A according to ADB's criteria and/or provide evidence of the timing of land acquisition vis-à-vis the anticipation of ADB financing.	Additions to Loan					
The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix5 of the SPS.	Additions to Loan Amendment					
 The Borrower updates their overall ESSF policies and procedures within 18 months of PFR 2 effectiveness to be approved by ADB. Recommended changes would include: (i) Environmental safeguard framework to refer to Gol Health and Safety laws/regulations as well as those on environment; (ii) Latest international best practice pollution prevention and abatement measures to be referenced; (iii) Updating the implementation arrangements with respect to the latest format of the ESMU and the roles and responsibilities taken. Consider if the project management and consultant roles are still relevant; (iv) Updating the procedures to ensure they are consistent with and reflect the leverage that IIFCL realistically has over subprojects; (v) Updating the social safeguard framework to refer to Gol's Land Acquisition, Resettlement and Rehabilitation Act of India 2013; and (vi) Addressing that screening against the prohibited investment activities list is only being mentioned with respect to the primary finance stream and that all subprojects should be screened. 	Additions to Loan Amendment					
IIFCL will maintain a grievance redress mechanism that complies with Indian laws and regulations.	Additions to Loan Amendment					
For proposed projects IIFCL will provide: (i) project description, (ii) use of IIFCL efunding, and (iii) location with internet map link. IIFCL will also include this information when new projects are added to the pipeline. If, based on this information, ADB has concerns that a pipeline project may, because of differences between ADB's Safeguard Policy Statement and India's regulations, be classified as Category A under the former, ADB will recommend excluding the project from the pipeline and/or the steps IIFCL need to take to confirm it is not an A (e.g. evidence of timing of land acquisition).	Facility Administration Manual					

IIFCL will conduct annual safeguard site visits to 25% of the projects financed under PFR 2, and ADB will have the option to select the projects that will be	
visited.	

ADB = Asian Development Bank, DFI = development finance institution, ESMU = environmental and social management unit, ESSF = environmental and social safeguards framework, GoI = Government of India, IIFCL = India Infrastructure Finance Company Limited, PPAH = Pollution Prevention and Abatement Handbook, PFR = periodic financing request, SPS = Safeguard Policy Statement.

Source: Asian Development Bank, India Infrastructure Finance Company Limited.

7. Upon implementation of abovementioned amendments, the ESMS is considered sufficient. Other issues will be resolved in the loan covenants.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan	
Increased project and borrowing costs making financial closure difficult	Medium	The indicative project list is [1.8]x the size of the tranche, so even if there is a slowdown in financial closures, there is enough redundancy to ensure the disbursement of the tranche.	
IIFCL's portfolio quality deteriorates	Medium	IIFCL is a consortium lender and depends on the risk appraisal of the lead bank in the consortium. These banks have well-developed monitoring and risk assessment capacities, which IIFCL leverages.	
ADB is unable to source offshore Indian rupee funds at an acceptable cost	High	ADB and IIFCL can agree to fund the tranche from ADB's LIBOR-based lending facility.	
Non-conventional disbursement arrangements	Medium	Through three MFFs, ADB has established a close working relationship with IIFCL's PMU. Moreover, the originating department and the Controller's Department have and will continue to coordinate closely to facilitate successful disbursements. IIFCL will adapt templates, which were originally designed for imprest accounts, to estimate expenditures and to reconcile expenditures.	
Divergence from ADB's safeguard policies	Low	With ADB's assistance, IIFCL has established an environment and safeguards management unit that has performance well. Furthermore, ADB has excluded category A projects because IIFCL, as a minority lender, may not have the negotiating leverage to affect the necessary safeguard measures.	
Key staff in ESMU leaves IIFCL	Low	IIFCL will conduct periodic training and capacity development programs for new staff, as required.	
Facility's implementation delayed	Medium	IIFCL has already established a PMU for earlier ADB facilities. This can assume immediate responsibility for the proposed facility.	
Facility poorly managed	Medium	IIFCL's PMU has undergone training on ADB project administration procedures and can draw on their experience from ADB's two earlier IIFCL facilities.	
IIFCL unviable without ongoing government support	Medium	Strong business development, underwriting, and risk management are the keys to IIFCL's sustainability as it evolves its financing modalities to meet market needs. IIFCL has established a credible record with regard to business development and is implementing the recommendations unde the Integrated Risk Management Framework to strengthen its risk management. ¹	
Risk management staffing	Medium	As the implementation of the Integrated Risk Management Project is a covenant of ADB's loan, it will encourage IIFCL to	

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

¹ Refer to footnote 16 of the PFR

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
		increase staff to achieve compliance.
Slowdown in India's economic growth	Medium	IIFCL operates profitably, maintains loan loss reserves, and has sufficient capital. These mitigants should protect IIFCL from insolvency because of correlated losses from an economic slowdown.
Rupee depreciation	Medium	IIFCL borrows in both local and foreign currency. Although it swaps its foreign borrowings into rupees, its borrowings have a longer maturity than the maximum available swap, so IIFCL is exposed to foreign exchange rate risk when it rolls over maturing swap contracts. IIFCL can mitigate this risk by laddering its maturing swaps so that only a portion matures in any given year. Additionally, funding from the linker bonds gives IIFCL another tool to manage foreign exchange risk.
Governance risk: financial management	Medium	IIFCL's governance and management systems continue to evolve from the first tranche. Moreover, ADB has included a covenant for additional improvements to IIFCL's risk management to be implemented during the second tranche.
Governance risk: corruption	Medium	At the implementing agency level, IIFCL complies with India's internal and external audit requirements. At the subproject level, IIFCL has established prudent reporting and audit requirements.
Overall	Medium	

ADB = Asian Development Bank, ESMU = environment and social safeguards management unit, IIFCL = India Infrastructure Finance Company Limited, MFF = multitranche financing facility, PMU = portfolio management unit. Source: Asian Development Bank.

FINANCIAL MANAGEMENT ASSESSMENT

1. In developing its findings and conclusions, the financial management assessment draws from various sources to include a financial management assessment questionnaire completed by the India Infrastructure Finance Company Limited (IIFCL) in 2013 with material changes noted as of 2015 (Appendix), two earlier financial management assessments on IIFCL prepared for a 2008 World Bank facility and a 2009 Asian Development Bank (ADB) facility, ADB's project completion report on its first facility with IIFCL, ADB's three biannual reviews of IIFCL's implementation of tranche 1 loan covenants on risk management improvements, and World Bank and International Monetary Fund research on country-specific issues.¹

2. Overall, IIFCL's financial management is adequate and the overall financial management risk moderate. Moreover, since the previous financial management assessment in 2013, there have been material improvements. IIFCL has:

- i. Transitioned from an unregulated to a regulated financial institution and now falls under the supervision of the Reserve Bank of India, a regulator that is internationally well-respected;
- ii. Introduced a loan accounting system and credit risk assessment models;
- iii. Developed 25 reports from its management information systems (MIS) to inform decision making; and
- iv. Made material improvements in its risk governance and risk management in accordance with tranche 1's loan covenants.
- 3. Notwithstanding, this assessment notes several persistent weaknesses, namely the:
 - i. Quantity and quality of risk management staffing;
 - ii. The general ledger, loan accounting system, risk management systems, etc. are not fully integrated; and
 - iii. Unpreparedness to undertake more sophisticated operations that would be consistent with its mandate to catalyze infrastructure finance (e.g., leading loan origination, security underwriting).

¹ ADB. 2007. Report and Recommendation of the President to the Board of Directors on India Infrastructure Project Financing Facility. Manila (MFF 0017-IND, approved 20 December for \$500 million); ADB. 2009. Report and Recommendation of the President to the Board of Directors on Second India Infrastructure Project Financing Facility. Manila (MFF 0037-IND, approved on 17 November for \$700 million); World Bank. 2009. India-Financing Public-Private Partnerships in Infrastructure through Support to the India Infrastructure Finance Company Limited. Washington D.C; ADB. 2012. Completion Report: India Infrastructure Project Financing Facility. Manila; IMF. 2013. India–2013 Article IV Consultation. Washington. D.C.; IMF. 2013. India: Financial System Stability Assessment Update. Washington D.C.; World Bank. 2004. Report on the Observance of Standards and Codes (ROSC) India. Washington D.C.; World Bank Country Policy and Institutional Assessment <u>http://data.worldbank.org/datacatalog/CPIA</u>.

A. **Project Description**

4. IIFCL is a 100% government-owned special purpose vehicle (SPV) that was established in 2006 and that specializes in infrastructure lending with an emphasis on public-private partnerships (PPPs). It is headquartered in Delhi with liaison offices in Mumbai and Hyderabad.

5. The proposed project would provide a line of credit to IIFCL for onlending to eligible subprojects. Subproject selection would be based on IIFCL's Scheme for Financing Viable Infrastructure Projects and Modified Takeout Finance Scheme for Financing Viable Infrastructure Projects. Additionally, subprojects must conform to ADB's environmental, safeguard, and other requirements as specified in Schedule 3 of the loan agreement that ADB and IIFCL would enter.

B. Country Issues

6. **Public institutions.** India's public institutions rank better than its peers. Although ADB only prepares country performance assessments for countries with access to the Asian Development Fund, the World Bank publishes a country policy and institutional assessment (CPIA) for all its developing member countries. The CPIA attempts to quantify the quality of a country's policies and institutions. Using the CPIA, India ranks higher than other developing member country (Table 1). India's institutions achieve these rankings despite higher perceptions of corruption than international averages (Table 2).

	2011
World	3.08
South Asia	3.19
India	3.60

Table 1: Country Policy and Institution Assessment, 2013

Note: 1 is the minimum and 6 the maximum score.

Source: World Bank Group, CPIA database (http://data.worldbank.org/indicator/IQ.CPA.PUBS.XQ/countries).

Table 2: Corruption Perceptions Index, 2012					
Corruption Perception Index Score 2014					
World	43.3				
South Asia ^a	39.0				
India	38.0				
2					

^aNo score is available for the Maldives.

Note: 0 is "highly corrupt" and 100 "very clean".

Source: Transparency International (http://www.transparency.org/cpi2014/results).

7. **Accounting standards.** Per a World Bank assessment in 2004, Indian Accounting Standards are "largely aligned" with International Financial Reporting Standards (IFRS).² Since that time, India has been pursuing convergence with IFRS, so the discrepancies have further narrowed. Notwithstanding, important differences persist, such as on the fair valuation of financial assets. Moreover, the requirements for current or eventual compliance with IFRS do not affect all firms with some smaller and private companies exempted.

² World Bank. 2004. Report on the Observance of Standards and Codes (ROSC) India. http://www.worldbank.org/ifa/rosc_aa_ind.pdf

8. **Financial institution regulation.** India has a well-developed regulatory and supervisory regime for financial institutions that is largely compliant with international standards. The banking system is well capitalized, profitable, and liquid.³ Although infrastructure loans continue to disproportionately constitute troubled banking assets, there have been several positive developments since 2013:

- i. Full implementation of Basel III is planned for FY2019, and financial institutions are starting to prepare for the higher capital requirements;
- ii. RBI has increased the provisions for restructured loans to discourage the "evergreening" (i.e., restructuring of nonperforming loans to reclassify them to performing) that is particularly prevalent in infrastructure;
- iii. RBI is reducing group exposure limits from 40% to 25% of tier 1 capital. This will bring exposure limits closer to international norms and reduce infrastructure concentrations, a sector where a few large companies dominate; and
- iv. RBI is allowing banks to borrow for 25 years to fund infrastructure. This "5/25 scheme" will reduce asset liability mismatches between banks' short-term deposits and infrastructure loans' long tenors.

9. **Infrastructure sector.** Indian banks are experiencing stress in their infrastructure loans in part because of nonfinancial risks, such as land acquisition, delayed regulatory approvals, contract unenforceability, and political interference of tariff rates. However, the situation has somewhat improved since 2014 because of stronger economic growth and lower interest rates.

C. Risk Analysis

10. The financial management internal control and risk assessment examines the project on two levels. Under inherent risks, it considers risks that are inherent to projects in India, to financial institutions, and to infrastructure subprojects. Under control risks, it considers risks that are unique to IIFCL (Table 3).

Risk	Risk Assessment	Risk-Mitigation Measures
Inherent Risk 1. Country- Specific Risks (India)	M – India has developing public institutions. Legal, regulatory, and political frameworks can create obstacles to successful implementation of infrastructure loans.	80% of IIFCL's projects must be public- private partnerships, which creates risk- sharing between and aligns incentives of public and private stakeholders.
2. Entity-Specific Risks (Government- owned nonbank financial company)	M – (i) As a policy institution, IIFCL is potentially exposed to political pressures; (ii) as a non-depository financial institution, IIFCL is reliant on favorable market perceptions to ensure ongoing access to funding; and (iii) as a specialized lender, IIFCL has concentration risk to the infrastructure	(i) IIFCL is independently regulated by RBI, which reduces the scope for political interference; (ii) IIFCL enjoys implicit state support for its operations and explicit support for most of its liabilities, which gives it reasonable assured market access; and (iii) IIFCL maintains a high capital adequacy ratio

Table 3: Financial Management Internal Control and Risk Assessment

³ IMF. 2013. *India: Financial System Stability Assessment Update.* http://www.imf.org/external/pubs/ft/scr/2013/cr1308.pdf

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Risk	Risk Assessment

Risk	Risk Assessment	Risk-Mitigation Measures
	sector.	(27%), which mitigates concentration
		risk.
3. Project-Specific Risks (Subprojects) Overall Inherent Risk	M to H – IIFCL finances subprojects across a variety of infrastructure sectors. Subproject risks vary with lower levels in sectors that have well established PPP modalities. M – IIFCL's transition from an unregulated entity to a nonbank finance company that is supervised by a well- respected, independent regulator materially reduces control risks identified during the preparation of tranche 1	Roads and renewable energy dominate the list of indicative subprojects and have a better performance record than subsectors such as thermal energy.
Control Risk		
1. Implementing Entity	M – IIFCL's risk management systems have strengthened. ADB's biannual risk management reviews have noted improvements, such as the introduction of regular board reporting, credit risk templates, liquidity gap analysis, etc.	IIFCL is halfway through a multiyear plan to strengthen its risk management. Moreover, IIFCL's track record during the 2012-2014 economic slowdown was adequate and comparable to the performance of more established public sector financial institutions.
2. Funds Flow	M – ADB is introducing a nonconventional disbursement arrangements in tranche 2.	Through three MFFs, ADB has established a close working relationship with IIFCL's PMU. Moreover, the originating department and the Controller's Department have and will continue to coordinate closely to facilitate successful disbursements. IIFCL will adapt templates, which were originally designed for imprest accounts, to estimate expenditures and to reconcile expenditures.
3. Staffing	M to H – IIFCL is no longer reliant on deputized staff and has hired a qualified head of for its Environment and Safeguards Management Unit. However, the quantity and quality of its risk management staffing remains insufficient.	ADB will continue biannual reviews of IIFCL's risk management through at least midyear 2016. These reviews facilitate knowledge transfer as IIFCL staff learns from ADB staff and the consultants conducting the reviews.
4. Accounting Policies and Procedures	M – IIFCL uses accrual accounting and follows the accounting standards of the Institute of Chartered Accountants of India. Subprojects are required to adhere to local accounting standards, report quarterly on contractual expenditures, and provide annual audited financial statements.	
5. Internal Audit	M to H – Per an RBI requirement, IIFCL no longer outsources its internal audit. In the long run, this development is positive	Because RBI mandated the change, it is expected to make internal audit a point of supervisory emphasis during the

5

Risk	Risk Assessment	Risk-Mitigation Measures
	because financial institutions should not outsource core functions. In the short term, the transition increases operations risk.	transition. Additionally, within 18 months of loan effectiveness, IIFCL will: (i) appoint an internal auditor at a senior staff level with strong audit experience and qualifications reporting to the Audit Committee of IIFCL's Board; (ii) update its internal audit manual; and (iii) require audit staff to attain professional admission and qualification as a "Certified Internal Auditor" (CIA).
6. External Audit	M – The Comptroller and Auditor General of the Government of India appoints IIFCL's external auditor and also conducts supplementary audits. Audits are annual and must be concluded within six months of the end of the fiscal year. The audits are done in accordance with Indian Accounting Standards. Recent audits have not identified any material concerns.	
7. Reporting and Monitoring	M – IIFCL complies with RBI's reporting requirements. Since tranche 1, it has also developed a series of 25 MIS reports that increases management's ability to make informed decisions.	
8. Information Systems	M to H – Information systems (i.e., general ledger, loan accounting, risk) are automated and can generate MIS reports. Yet, the systems are not fully integrated.	IIFCL has agreed, as a 12-month condition subsequent to tranche 2, to complete the integration of its information systems.
Overall Control Risk	M – Although risk management staffing, the insourcing of internal audit, and unintegrated information systems present elevated risks, mitigants have improved—i.e., the introduction of an independent regulator, stronger risk management, development of MIS reporting, and strengthening of information systems. ate, L = Low, RBI = Reserve Bank of India.	

H = High, M = Moderate, L = Low, RBI = Reserve Bank of India.

D. Project Financial Management System: Strengths and Weaknesses

1. Strengths

11. IIFCL has strong implicit and explicit support from the Government of India. The government, as recently as FY2015, provided growth capital and continues, although decreasingly as IIFCL becomes more established, to guarantee IIFCL's debts. Official support is reflected in IIFCL's Standard & Poor's credit rating of BBB-, the same rating assigned to the Government of India. IIFCL has maintained this rating since 2007.

12. IIFCL's corporate governance provides oversight and solidifies IIFCL's relationship to the Indian government. The board of directors meets regularly, has various committees (i.e., audit, risk mitigation and management, remuneration, etc.), and has a membership composed of government nominees, IIFCL management, and independent directors. In addition, there is an empowered committee, which consists of senior government officials and to which the Cabinet of India has delegated the oversight of IIFCL.

13. IIFCL has a demonstrated ability to implement institutional reforms. For example, at the time of the Second India Infrastructure Project Financing Facility (IIPFF II), IIFCL was wholly dependent on other institutions to identify business opportunities, evaluate credit, and monitor projects. Although still evolving, IIFCL has achieved significant progress in these areas. It has introduced credit rating templates, assigns its own credit ratings, and is instituting annual reviews of its portfolio.

2. Weaknesses

Significant Weakness	Resolution
IIFCL's risk management framework is evolving.	IIFCL will covenant that it will implement by July 2016 the recommendations stipulated in its "Integrated Risk Management Systems Project" of February 2013.
Information systems are not fully integrated.	IIFCL will covenant that within 12 months of tranche 2 effectiveness, IIFCL will integrate its information systems.
IIFCL is in the process of insourcing its internal audit.	Within 18 months of Ioan effectiveness, the Borrower will: (i) appoint an internal auditor at a senior staff level with strong audit experience and qualifications reporting to the Audit Committee of IIFCL's Board; (ii) update its internal audit manual; and (iii) require audit staff to attain professional admission and qualification as a "Certified Internal Auditor" (CIA).

ADB = Asian Development Bank, IIFCL = India Infrastructure Finance Company Limited, RBI = Reserve Bank of India.

E. Implementing Entity

1. Risk Management Strengths

14. IIFCL has a long-term liability profile. This long-term funding minimizes the risk that investors would rapidly withdraw money during a crisis. It also gives IIFCL some flexibility to time its fund raising to avoid periods of market turbulence.

15. Deloitte completed an advisory engagement in 2013 that reviewed IIFCL's risk management. Tranche 1 included a loan covenant for the implementation of Deloitte's recommendations by 30 June 2016. ADB has been conducting biannual reviews with the assistance of KPMG to monitor IIFCL's progress. Through this process, IIFCL has introduced:

- i. Quarterly risk management reporting to IIFCL's board;
- ii. 25 out of the 26 MIS reports that Deloitte had recommended;
- iii. An automated loan accounting system;

- iv. Calculation of capital adequacy per RBI norms;
- v. Liquidity gap analysis per RBI norms;
- vi. A credit risk assessment model to bring consistency to subproject credit ratings (a World Bank technical assistance grant, whose scope was developed in collaboration with ADB, funded the work); and
- vii. Portfolio stress testing. Scenarios include credit rating downgrades, sector stress, group stress, and single party stress.

16. During tranche 1, IIFCL also corrected several significant single and group exposures that had exceeded RBI's limits.

2. Risk Management Weaknesses

(i) Credit Risk

17. IIFCL had 14 nonperforming loans with a gross value of INR9.1 billion (3.8% of loans) as of FY2014 and an additional 26 restructured loans with a gross value of INR32.9 billion (13.8% of loans) that are recorded as performing. These levels have worsened since 2013, which IIFCL attributes to the weakness of India's infrastructure sector. Although these levels are consistent with other public sector financial institutions in India, they are high by international standards.

18. Although IIFCL has introduced a standardized risk assessment model, origination experience is still limited. IIFCL will need to balance this limitation if and when it begins to lead loan origination as opposed to following as part of a syndicate.

19. The approval of IIFCL's risk management function is not required to amend loan documentation or grant waivers of covenant breaches.

20. IIFCL would benefit from better guidelines for its counterparty credit risk. Currently, it uses large, state-owned banks for its deposits and international banks for its swaps. IIFCL selects the counterparties based on pricing, and there are no restrictions on the counterparties' credit ratings, minimum capitalization, or capital ratios or on the maximum size of IIFCL's exposure to each counterparty.

21. IIFCL cannot aggregate counterparty exposures across instruments. This risk is currently minimal because IIFCL's counterparties are few, but as operations expand, aggregate counterparty exposure limits will become increasingly important to ensure that IIFCL does not, for example, issue guarantees against, engage in swaps with, and deposit money in the same bank without monitoring the size of the aggregate position.

(ii) Pricing

22. Although IIFCL can now calculate risk-based pricing, they generally do not use it. Pricing is dictated by the lending syndicate's lead bank. However, IIFCL should track the differences between its estimated risk-based pricing and actual pricing. This information would be useful to identify systematic trends and could trigger preemptive actions, such as increasing capital or provisioning levels.

(iii) Market and Liquidity Risk

23. IIFCL does not have the systems to monitor and manage interest rate risk. IIFCL does not have exact re-pricing data, but it estimates that its assets re-price more frequently than its liabilities. Therefore, when interest rates fall, IIFCL's assets would more quickly re-price at the new lower rates while its longer tenor liabilities would remain at the higher rates. Interest rate risk monitoring tools, which under tranche 2's loan covenant IIFCL will introduce by 30 June 2016, will become more important because the more established IIFCL becomes, the less wiling the government will be to extend an explicit guarantee, which will increase IIFCL's funding costs and thereby decrease its net interest margin.

24. IIFCL manages foreign exchange risk with foreign currency swaps of maturities between two and ten years, the maximum tenor available for rupee swaps. However, IIFCL's foreign currency borrowings extend well beyond ten years. Consequently, IIFCL is exposed to foreign currency risk at the time it renews its swaps. Tranche 2's introduction of local currency lending will help to address this risk.

25. IIFCL's risk management function should play a larger role in monitoring treasury risks. Risk management's monitoring would become particularly important if IIFCL's treasury investment policies, which are currently conservative, were ever relaxed.

F. Fund-Flow Mechanisms

26. Fund flow diagrams and accompanying text are provided in Section IV.B and figures 3 and 4 of the facility administration manual.⁴

G. Personnel

27. IIFCL's staffing has improved since tranche 1. It has, for example, appointed a qualified individual to lead its environmental and safeguards management unit. IIFCL will, however, need to ensure that staffing in control functions continues to increase with the growth in its balance sheet and with the sophistication of its operations. In particular, three staff assigned to risk management is insufficient. Although IIFCL plans to add an additional individual, four persons is still low, and there would remain concerns about the unit's depth and breadth of experience.

H. Accounting Policies and Procedures

28. IIFCL uses accrual accounting, follows the standards of the Institute of Chartered Accountants of India, and prepares its annual accounts in accordance with the Companies Act, 1956. IIFCL has an automated general ledger and, since 2013, has introduced an automated loan accounting system. IIFCL maintains an accounting manual to promote standardization in transaction accounting.

29. Subprojects are required to follow domestic accounting standards and must provide IIFCL with audited annual financial statements.

⁴ Facility Administration Manual (accessible from the list of linked documents in Appendix 3)

I. Internal Audit

30. IIFCL complies with local internal audit requirements. Following an RBI requirement, IIFCL has insourced its internal audit whereas, prior to being a regulated entity, it outsourced the work to a third party. Although in the short term, this transition introduces an element of operations risk, in the long term it is consistent with international best practice.

31. To facilitate the transition to insourcing, IIFCL has agreed within 18 months of loan effectiveness to (i) appoint an internal auditor at a senior staff level with strong audit experience and qualifications reporting to the Audit Committee of IIFCL's Board; (ii) update its internal audit manual; and (iii) require audit staff to attain professional admission and qualification as a "Certified Internal Auditor" (CIA). Meanwhile, IIFCL has assigned responsibility for internal audit to a staff member with audit experience.

32. The internal auditor reports quarterly to the audit committee. Audit findings are tracked and monitored for resolution. The board of directors notes the audit committee minutes during its meetings. Based on their profiles, audit committee members have a reasonable degree of financial and accounting experience to understand technical issues.

J. External Audit

33. External audits are done annually as of March 31st and completed prior to 30 September of the same calendar year. There have been no audit-related issues with ADB's previous facilities with IIFCL.

34. The Office of Comptroller & Auditor General of India appoints IIFCL's external (or "statutory") auditor and typically limits any firm's tenure to four years. The external auditor has neither served as IIFCL's internal auditor nor provided other services to IIFCL, so there is no risk of it auditing its own work. Like the internal audit, IIFCL could strengthen the current arrangement by scheduling regular meetings between the external auditor and the independent board members without the presence of management.

35. The external auditor, K M Agarwal & Co, has been IIFCL's external auditor since FY2014. The firm was established in 1969, is registered with the Institute of Chartered Accountants of India, and has seven partners. It is appointed the statutory auditor for multiple public sector undertakings. The audits are conducted in accordance with Institute of Chartered Accountants of India's Accounting Standards.

36. There are several qualifications in IIFCL's FY2014 external audit. These are qualifications, to which IIFCL has credibly responded (Table 5).

Qualification	IIFCL Response	
IIFCL is not recognizing the current losses on its foreign currency swaps.	The losses on the foreign currency swaps are offset by gains in the hedged assets. There are no applicable standards for this issue, and the auditor is applying standards that were developed for forward contracts. IIFCL has written to the Institute of Chartered Accountants for clarification on the issue.	
0	IIFCL entered into contracts that swapped both USD into INR and floating-rate liabilities into fixed. Because they are single contracts, IIFCL cannot separate the gains and losses of the foreign currency and	

 Table 5: External Audit Qualifications and IIFCL's Responses

	interest rate components. IIFCL has written to the Institute of Chartered Accountants for clarification on the issue.	
IIFCL has not received	The borrowers are waiting until their own accounts to have been	
balance confirmations from	audited before they provide the confirmations, so IIFCL generally	
some of its borrowers.	receives them after it has already approved its financial statements.	

K. Financial Reporting and Monitoring

37. IIFCL prepares annual audited financial statements in accordance with Indian Accounting Standards and publishes the financial statements on their public website. IIFCL also prepares a monthly report for its board and the Government of India.

38. At the subproject level, borrowers are generally required under the terms of their loan agreement to provide IIFCL with the following documents. These documents are in addition to the documents discussed under "Disbursement Arrangements".

- Semi-annual loan utilization statements, independent engineering reports on project implementation, environment and social safeguards reports, and management accounts;
- (ii) Annual construction or operational budgets, as appropriate, before the commencement of each financial year as well as the previous year's actual data with explanations for material variances;
- (iii) Annual audited financial statements to include an auditor's opinion that the financial statements fairly present the financial condition and results of operations in accordance with Indian Accounting Standards; and
- (iv) Annual certification from the external auditor that, except as specifically stated, the subproject is in compliance with the loan covenants.

L. Information Systems

39. In 2013, IIFCL retained 3i Infotech, a spinoff from ICICI Bank's information technology department, to introduce an off-the-shelf system loan accounting system. Thereafter, it retained Crisil Risk Solutions to introduce a credit risk assessment model. Although these systems have been implemented, they and other MIS are not fully integrated with the general ledger and with each other. In response, IIFCL has retained Deloitte Touche Tohmatsu to develop a request for proposal to integrate its systems and to supervise vendor implementation. Tranche 2 will include a covenant that requires MIS integration within 12 months of loan effectiveness.

M. Procurement Arrangements

40. IIFCL's internal procurement falls into two categories. First, it has a small procurement unit that administers IIFCL's various donor trust funds and maintains the procurement policy for all of IIFCL. Second, non-donor funded procurements are managed at the individual unit level but follow IIFCL's procurement policy. The procurement policy is based on India's General Financial Rules.³ The procurement function undergoes an annual audit from the Comptroller and Auditor General of India.

N. Disbursement Arrangements

41. Detailed disbursement agreements are described in Section V.B of tranche 2's facility administration manual.⁵

O. Agreed Action Plan and Conditions

42. IIFCL and ADB have agreed to an action plan to address issues that the financial management assessment identified (Table 6).

Agreed Action	Responsible Party	Agreed Completion Date
Integrate its management information systems.	IIFCL, PMU	Within 12 months of loan effectiveness.
Implement the recommendations stipulated in its "Integrated Risk Management Systems Project" of February 2013.	IIFCL, PMU	By 30 June 2016.

Table 6: Financial Management Action Plan

IIFCL = India Infrastructure Finance Corporation Limited.

P. Financial Covenants

- 43. ADB and IIFCL have agreed to the following financial covenants. IIFCL will:
 - (i) Comply at all times with the prudential norms as made applicable to IIFCL by RBI and other relevant authorities;
 - (ii) IIFCL will have no arrears in repayment of its current debt obligations;
 - (iii) IIFCL will lend to subprojects on market-based terms that are adequate to cover all associated costs and risks to include any foreign exchange risk premium;
 - (iv) IIFCL will continue to institute quarterly risk management reporting to its risk committee;
 - (v) IIFCL will integrate its MIS within 12 months of loan effectiveness; and
 - (vi) Implement the recommendations of its "Integrated Risk Management Systems Project" of February 2013 by 30 June 2016.

Q. Supervision Plan

44. First, as with previous facilities, IIFCL will establish a project management unit. Second, because of IIFCL's quick growth and as recommended in the project completion report on ADB's earlier facility with IIFCL, ADB will continue biannual project review missions through at least midyear 2016. Third, at least annually during implementation, ADB will review the condition and performance of IIFCL and include this assessment in its annual supervision report. Fourth, ADB will also conduct a midterm review in 2017.

⁵ Facility Administration Manual (accessible from the list of linked documents in Appendix 3)

Торі	C	IIFCL Response, 2013	Material Changes, 2015
1.	Implementing Ager	ncy	
1.1	What is the entity's legal status / registration?	100% owned by Government of India, incorporated under the Indian Company's Law as a Public Limited company registered with Registrar of companies (ROC) under Regd.No.U67190DL200640I144520. Registration as NBFI by Reserve Bank of India (RBI) is under	
1.2	Has the entity implemented an externally-financed project in the past (if so, please provide details)?	Processing Yes. ADB Loan No 2404-IND-\$300 million ADB Loan No. 2509-IND-\$200 million ADB Loan No. 2586-IND-\$210 million ADB Loan No. 2717-IND-\$250 million ADB Loan No. 2822-IND-\$240 million KfW Loan Euro50 million WB Loan \$195 million	IIFCL is also currently implementing tranche 1 for \$400 million.
1.3	What are the statutory reporting requirements for the entity?	IIFCL reports to the Department of Financial Services, Department of Economic Affairs, Government of India and ROC. IIFCL will start reporting to RBI after its registration with it.	IIFCL is now supervised by RBI.
1.4	Is the governing body for the project independent?	Yes. IIFCL's operating paradigm namely it's 'Scheme' is subject to review by an Empowered Committee set up for the scheme by Government of India (GOI).	
1.5	Is the organizational structure appropriate for the needs of the project?	The organization structure of IIFCL is appropriate at this moment, and is evolving in line with its mandate under the Scheme.	
2.	Funds Flow Arrang	ements	
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	Funds are directly received from ADB HQ and deposited in IIFCL's account in Punjab National Bank.	Additional fund flow arrangements are described in the facility administration manual to account for the introduction of a local currency loan.

Financial Management Assessment Questionnaire

Topic	C	IIFCL Response, 2013	Material Changes, 2015
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Not Applicable, as the funds are received by IIFCL directly from ADB	
2.3	What have been the major problems in the past in receipt of funds by the entity?	No significant problem	
2.4	In which bank will the Imprest Account be opened?	Currently IIFCL has not availed any imprest facility. However, the provision of Imprest facility should remain.	ADB's local currency loan will be deposited directly to IIFCL.
2.5	Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, The PIU established in 2008 has received reimbursement of around \$1053 million as on 31/03/2013 from ADB alone besides Approx. Euro 30 million from KfW and \$23 million from World Bank.	
2.7	Does the entity have/need a capacity to manage foreign exchange risks?	Yes, the entity has managed foreign exchange risk and currency risk by entering into cross currency swaps with banks up to a maximum period of 10 years. As ADB LOC is available for a period of 25 years, these swaps contracts would be rolled over on expiry. IIFCL undertakes regular foreign currency swaps to hedge its exposure. IIFCL has established swap counterparty lines with ICICI, HSBC etc.	ADB's local currency loan will provide an additional tool to manage foreign exchange risks.
2.8	How are the counterpart funds accessed?	Not Applicable The procedure is in accordance with the Scheme.	
2.9	How are payments made from the counterpart funds?	Not Applicable	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	Not Applicable	

Topic	•	IIFCL Response, 2013	Material Changes, 2015
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	Not Applicable. However, project sponsors bring their own shares/ margins as stipulated by lenders.	
3.	Staffing		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	The organization chart is attached. IIFCL's accounting department is headed by a CFO and has 4-5 people, which is adequately staffed in line with its mandate under the Scheme.	Updated organizational chart available at www.iifcl.org/Content/org_chart.aspx.
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	The Accounts Department is headed by a CFO who is qualified Chartered Accountant (CA) and is supported by three Assistant Managers (AM). Out of three AMs, one is CA and other two have qualification in accounting. The CV of the CFO is attached. Duly qualified and experienced staff having relevant professional experience is in place.	
3.3	Is the project finance and accounting function staffed adequately?	Adequate at this stage, but will be increased as per requirement. IIFCL's human resource plan includes staffing requirements.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Is the project accounts and finance staff trained in ADB procedures?	Yes. A list of staff, who received trainings, is attached.	
3.6	What is the duration of the contract with the finance and accounts staff?	Staff is permanent regular employees of IIFCL and transfers, if any, are effected on a need basis. The deployment of staff is in line with Government regulations for public sector undertakings.	

Topic	;	IIFCL Response, 2013	Material Changes, 2015
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	Environment and Safety Management Unit (ESMU) Head position. The process of selection of ESMU Head on contract basis is underway and the ESMU Head is likely to be in place by end of June 2013.	The head of the Environment and Safety Management Unit is now retained on a regular basis.
3.10	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes.	
3.11	At what frequency are personnel transferred?	Generally staffs are not being transferred, as IIFCL is having only one office in Delhi.	
3.12	What is training policy for the finance and accounting staff?	As per the policy every official of the company would be provided at least one training every year.	
4.	Accounting Policie	s and Procedures	
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	system is under development for which 3i InfoTech Ltd. has been entrusted this assignment. As a financial intermediary (FI), IIFCL has appropriate accounting policies in place.	General ledger, loan accounting, and other MIS are implemented but are not fully integrated.
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	All transactions are approved and prepared by a competent authority.	

Торі	C	IIFCL Response, 2013	Material Changes, 2015
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Not Applicable	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes, all accounting norms are fulfilled. Yes, reconciled and in balance as per accounting standards prescribed by the Institute of Chartered Accountants of India.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes. System storage procedures are in place.	
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes. These are performed by different persons and units separated by appropriate firewalls. Flowchart of process flow from loan origination to disbursement.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	

Topic	0	IIFCL Response, 2013	Material Changes, 2015
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Given that IIFCL is an FI, budgets include financial targets.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, IIFCL prepares performance budget and statement of intent which is submitted to GOI.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes in line with 4.11	
4.13	Are approvals for variations from the budget required in advance or after the fact?	Yes, approval is sought in advance as may be required. As far as possible pre-approvals are sought from management. However, in the case of exigencies occasionally post approval is sought.	
4.14	Who is responsible for preparation and approval of budgets?	Respective heads of departments and Board of Directors. Final business plan is presented / got approved from GOI in the form of statement of Intend.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes. As part of performance budget process.	

Topic	;	IIFCL Response, 2013	Material Changes, 2015
	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes. As part of part of performance budget process.	
F	Payments		
4.17	Do invoice- processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Not Applicable as IIFCL is an FI Project specific	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes. All standard norms are followed.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Accrual basis.	

Topic	;	IIFCL Response, 2013	Material Changes, 2015
4.21	What accounting standards are followed?	Accounting standards prescribed by the Institute of Charted Accountants of India are being followed. The accounting policies are adequately disclosed in the Annual Report of the company.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Detailed Operations Manual is in place.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	Accounting policy is in place and updated periodically.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes, as per the requirement of the Company's Act, the related party transactions are required to be disclosed adequately in the Annual Report.	
4.27	Are manuals distributed to appropriate personnel?	All staff have access to the operations manual.	

Topic	;	IIFCL Response, 2013	Material Changes, 2015
(Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Mr. Rajeev Mukhija- GM & CFO; Dr SD Nanda- DGM Mr. Anil Taneja-DGM Mr. K.B.Khurana – DGM Ms Rekha Shukla, DGM Mr. S.K.Sharma- AGM Mr. Gaurav Kumar-AGM Transactions are done through electronic mode under dual signature.	
4.29	Does the organization maintain an adequate, up-to- date cashbook, recording receipts and payments?	Yes. All the transactions are recorded in the relevant books of accounts on a daily basis.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	IIFCL has only one office in New Delhi. The company does not deal in cash transactions (except for petty cash) and all transactions are done through the electronic mode.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes. No unusual items have appeared so far.	
4.33	Are all receipts deposited on a timely basis?	IIFCL does not deal in cash transaction. All transactions are done with the bankers through electronic mode only.	
Safeguard over Assets			
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	IIFCL has a Fraud Prevention and Detection Policy duly approved by its Board of Directors. The policy is uploaded on the Company website. There is a nodal officer to whom any suspicious activity to be reported. In addition, IIFCL has vigilance Deptt./ Chief Vigilance Officer, as required by GOI guidelines, who reports to the concern ministry.	

Topic	;	IIFCL Response, 2013	Material Changes, 2015
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Not Applicable, as IIFCL is a FI and does not have significant assets (other than loan assets i.e. receivables).	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	The assets are adequately covered under comprehensive insurance policy.	
	Other Offices and mplementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Not Applicable. IIFCL has established controls and procedures for smooth flow of funds, financial information, accountability and audit.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not Applicable.	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Not Applicable as IIFCL has only one office.	
Othe	r		
4.42	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes.	

Торі	c	IIFCL Response, 2013	Material Changes, 2015
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes. The Department has a senior officer in the rank of DGM and supported by manager and assistant managers. IIFCL is having concurrent audit by an external firm of Chartered Accountants.	As per an RBI requirement, IIFCL has insourced its internal audit.
5.2	What are the qualifications and experience of audit department staff?	Yes, audit department's staff are qualified and experienced.	
5.3	To whom does the internal auditor report?	Chairman and Managing Director (CMD). The internal auditor has a detailed TOR. Its quarterly report is submitted to all heads of Department. The compliance report is presented to the CMD through Executive Director. The internal audit report and its compliances are presented to Audit Committee of Directors and Audit Committee minutes are presented to the Board.	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	Yes. Corrective actions are taken as required.	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes. M/s P. R. Mehra and Co. IIFCL is having concurrent internal audit by an external firm of Chartered Accountant. Further, IIFCL is subject to statutory audit by a firm of Chartered Accountants appointed by the Comptroller and Auditor General (CAG) of India. Finally, IIFCL is also subject to supplementary audit by the CAG. M/s P.R. Mehra & Co is the statutory auditor.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No. No delays have so far occurred in the audit of IIFCL.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	Yes. Audits are undertaken as per the standards prescribed by the Institute of Chartered Accountants of India.	

Topi	C	IIFCL Response, 2013	Material Changes, 2015
6.4	Were there any major accountability issues brought out in the audit report of the past three years?	No.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Each & every project / SPV is audited by its own auditors. Auditors appointed by the entity concerned shall audit the project accounts.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	As in 6.1. In future after the approval as NBFI, will also be subject to RBI surveillance.	IIFCL is now subject to RBI supervision.
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Not Applicable.	
7.	Reporting and Mon	itoring	
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, as per norms and standards prescribed by the Institute of Chartered Accountants of India.	
7.2	Are financial statements prepared for the implementing unit?	Not Applicable.	

Topie	C	IIFCL Response, 2013	Material Changes, 2015
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Financial statements are prepared yearly within the time period as stipulated in the Company's Act. Reviewed by internal and external auditors.	
7.4	Does the reporting system need to be adapted to report on the project components?	No.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes. As per requirements of the operations manual.	
7.7	Are financial management reports used by management?	Yes, Depending upon the nature & type of data, the reports are prepared daily / monthly/ quarterly basis.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	

Topi	C	IIFCL Response, 2013	Material Changes, 2015
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	As in 8.1	
8.	Information System	าร	
8.1	Is the financial management system computerized?	Not as of yet. Automation process is underway.	Systems are generally automated and capable of generating MIS reports but are not yet fully integrated.
8.2	Can the system produce the necessary project financial reports?	Project financial reports can be extracted manually however; the system under implementation has necessary capabilities. Automated systems are being out into place.	MIS reporting has substantially increased; IIFCL has developed 25 additional MIS reports since 2013.
8.3	Is the staff adequately trained to maintain the system?	Yes.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes.	

Environmental and Social Management System Arrangement

Environmental and Social Safeguards Framework $_{\rm July\ 2013}$

India: Accelerating Infrastructure Investment Facility in India

Prepared by the India Infrastructure Finance Company Limited for the Asian Development Bank.

This environmental and social safeguards framework is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

India Infrastructure Financing Company Limited (IIFCL)



ENVIRONMENTAL AND SOCIAL SAFEGUARDS FRAMEWORK

(Updated in July 2013)

New Delhi India

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ABBREVIATIONS

ADB CMD	-	Asian Development Bank Chairman and Managing Director
COD	-	Commercial Operation Date
CPCB	-	Central Pollution Control Board
CRZ	-	Costal Regulation Zone
DFIs	-	Development Financial Institutions
EA	-	Environmental Assessment
EC	-	Environmental Clearance
ED	-	Executive Director
EDP	-	Environmental Due Diligence Procedures
EIA	-	Environmental Impact Assessment
EMP	-	Environment Management Plan
ESSF	-	Environment and Social Safeguard Framework
ESF	-	Environmental Safeguards Framework
E&S	-	Environmental and Social
ESP	-	Environment and Social Policy
ESS	-	Environment Safeguards Systems
ESMU	-	Environment and Social Safeguards Management Unit
FI	-	Financial Intermediary
GC	-	General Conditions
GOI	-	Government of India
HUDCO	-	Housing and Urban Development Corporation Limited
IDFC	-	Infrastructure Development Finance Company Limited
IIFCL	-	India Infrastructure Finance Company Limited
IL&FS	-	Infrastructure Leasing & Financial Services Limited
IR	-	Involuntary Resettlement
IPDP	-	Indigenous People's Development Plan
IP	-	Indigenous People
JBIC	-	Japan Bank for International Cooperation
KfW	-	Kreditstalt für Wiederaufbau
MOEF	-	Ministry of Environment and Forest
MOU	-	Memorandum of Understanding
NGO	-	Nongovernment Organizations
NRRP	-	National Rehabilitation and Resettlement Policy
OM	-	Operational Manual
O&M	-	Operation & Maintenance
PAP	-	Project-affected person
PC	-	Project Cycle
PCB	-	Pollution Control Board
PIAL	-	Prohibited Investment Activities List
PFR	-	Periodic Finance Requests
PLC	-	Project Life Cycle
PIM	-	Project Information Memorandum
PMC	-	Project Management Consultants
PPP	-	Public Private Participation
RAP	-	Resettlement Action Plan
RP	-	Resettlement Plan
R&R	-	Resettlement and Rehabilitation
SEIAA	-	State/Union Territory Environmental Impact Assessment Agency
		,

- SIA Social Impact Assessment -
- SPCB -State Pollution Control Board
- Social Safeguard Due Diligence Procedures -SSDP
- SSF -
- SSLO -
- Social Safeguard Framework Social Safeguards Liaison Officer Scheme for Infrastructure Financing through IIFCL SIFTI -
- Special Purpose Vehicle SPV -
- Tribal Development Plan TDP -
- Terms of Reference TOR -
- WB -The World Bank

I. INTRODUCTION

1. The India Infrastructure Financing Company Limited (IIFCL) was incorporated on 5 January 2006, under the Companies Act 1956, as a fully government-owned company. The IIFCL is an apex financial intermediary for developing and financing commercially viable infrastructure projects and facilities in India through the following modalities:

- (i) long-term debt,
- (ii) refinance to banks and public financial institutions for loans granted by them,
- (iii) take-out financing,
- (iv) subordinate debt,
- (v) credit enhancement (on pilot basis), and
- (vi) any other mode approved by the Ministry of Finance from time to time.

2. Projects in the following sectors are eligible for IIFCL's financing:

Sr. No.	Sector	Subsector
1.	Transport	Roads and bridges Ports Inland waterways Airport Railway tracks, tunnels, viaducts, bridges ^a Urban public transport (except rolling stock in case of urban road transport)
2.	Energy	Electricity generation Electricity transmission Electricity distribution Oil pipelines Oil/gas/liquefied natural sas (LNG) storage facility ^b Gas pipelines ^c
3.	Water sanitation	Solid waste management Water supply pipelines Water treatment plants Sewage collection, treatment and disposal system Irrigation (dams, channels, embankments etc.) Storm water drainage system
4.	Communication	Telecommunication (fixed network) ^d Telecommunication towers
5.	Social and commercial infrastructure	Education institutions (capital stock) Hospitals (capital stock) ^e Three-star or higher category classified hotels located outside cities with population of more than one million Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets Fertilizer (Capital investment) Post-harvest storage infrastructure including cold storage for agricultural and horticultural products Terminal markets Soil-testing laboratories

Table 1: Sectors Eligible for IIFCL Financing

Sr. No.	Sector	Subsector
		Cold chain ^f

^a includes supporting terminal

^b includes strategic storage of crude oil

^c includes city gas distribution network

^d includes optic fibre/cable networks which provide broadband / internet

^e includes medical colleges, paramedical training institutes and diagnostics centres

^f includes cold room facility for farm-level pre-cooling for preservation or storage of agricultural and allied products, marine products, and meat.

3. The above list of sectors will be kept in line with the clause 5.2 (c) in Scheme for Infrastructure Financing through IIFCL (SIFTI) and its subsequent modifications, if any.

4. In order to be eligible for funding under the "Scheme for Financing Viable Infrastructure Projects through the India Infrastructure Finance Company Limited" (the Scheme), a project should meet the following criteria:

- (i) The project will be implemented (i.e., developed, financed, and operated for the project term) by
 - (a) a public sector company
 - (b) a private sector company selected under a private-public partnership (PPP) initiative
 - (c) a private sector company
- (ii) Provided that the Special Purpose Vehicle (SPV) will assign overriding priority to PPP projects that are implemented by private sector companies, selected through a competitive bidding process.
- (iii) Provided further that a private sector company, other than that defined in the first provision above, would not be eligible for direct lending by SPV and may be funded only through the refinance mode.
- (iv) The total lending for such private projects shall not exceed 20% of the lending program of SPV in any accounting year. The eligibility for direct lending and/or raising the limit of 20% will be reviewed at the end of one year based on the progress in funding public sector and PPP infrastructure projects.

II. ENVIRONMENTAL AND SOCIAL SAFEGUARD POLICY

5. The IIFCL finances medium to large-scale infrastructure projects. They could generate adverse environmental and social impacts. As an environmentally informed and socially responsible financial institution, IIFCL is committed to avoid or mitigate adverse environmental and social impacts, if any, of the projects in its portfolio. For this purpose, IIFCL has an Environmental and Social Safeguard Policy (ESSP) and procedural framework to implement it.

6. The ESSP takes note of environmental and social safeguard requirements of its financial partners and lenders including multilateral and bilateral development financial institutions (DFIs).

7. The ESSP is guided by IIFCL's commitment to integrate environmental protection and social development into its mandate in a proactive manner in order to contribute towards sustainable development. To achieve a balance between developmental imperatives, and environmental sustainability and social well-being in its operations, IIFCL:

(i) gives due importance to environmental and social (E&S) considerations in

appraising and financing infrastructure projects in order to avoid, minimize, and mitigate environmental and social adverse impacts and risks, if any; and

(ii) is committed to comply with all relevant environmental and social policies, laws, and regulations of the Government of India (GOI) and states of India, and also remains responsive to E&S safeguard policy requirements of DFIs wherever DFI's Line of credit is involved.

8. The ESSP of IIFCL emphasizes its sensitivity to environmental and social safeguard issues of project that it finances, commitment to comply with its own environmental and social safeguard policy, and its responsiveness to environmental and social safeguard policy requirements of DFIs. The ESSP is implemented as per the procedures outlined in the Environmental and Social Safeguard Framework (ESSF) of IIFCL.

9. The ESSF provides an enabling mechanism to IIFCL to meet environmental and social safeguard requirements associated with projects that it finances. It defines roles, responsibilities, and provides procedures to avoid, minimize, and mitigate any direct, indirect and potential:

- (i) adverse impacts/risks on environment,
- (ii) adverse impacts and risks of involuntary resettlement, and
- (iii) adverse impacts on tribal peoples and their communities that may arise from the implementation of such projects.

III. ENVIRONMENTAL AND SOCIAL SAFEGUARD FRAMEWORK

- 10. The objectives of ESSF are to:
 - (i) avoid any direct, indirect, and potential adverse environmental and social impacts/risks of projects that it supports;
 - (ii) minimize or mitigate adverse environmental and social impacts/risks;
 - (iii) ensure that minimization or mitigation of environmental and social impacts and risks meet the requirements of laws and regulations of GOI and states, and environmental and social safeguard requirements of DFIs;
 - (iv) guide IIFCL, lead banks/designated lead syndicators, and borrowers in preparing projects for appraisal by IIFCL, and in monitoring, reporting, and in undertaking corrective actions, if any;
 - (v) ensure that effective mechanisms are in place for safeguard compliance during project implementation, and to undertake corrective actions, if required; and
 - (vi) develop institutional capacity of lead banks and sub-borrowers for safeguard compliance.

11. The ESSF applies to all projects financed by IIFCL through direct lending and refinance operations, and to public and private sector projects and DFI's safeguards compliance is applicable wherever DFI's funding assistance is involved. All lead banks and subborrowers who seek financial assistance from IIFCL will conduct business in a manner that such business is compliant with ESSF.

12. The ESSF is fully integrated with the project cycle of IIFCL. The environmental and social due-diligence processes prescribed in ESSF will get triggered when a project enters into IIFCL's investment approval system. These processes will remain active until IIFCL's exposure to the project is completed.

13. The ESSF comprises of two sub-frameworks, namely, Environmental Safeguard Framework and Social Safeguard Framework. In the following sections, each Framework is elaborated.

A. Environmental Safeguard Framework

14. The Environmental Safeguard Framework (ESF) is based on GOI's environmental laws, regulations and especially on EIA Procedures found in the EIA Notification of 14 September 2006 and various amendments. The notification provides guidelines on screening projects, scoping their environmental impacts, obtaining environmental clearances, and environmental compliance monitoring during project construction and operation phases. At the same time, ESF draws best practices from environmental safeguard policies of DFIs. The ESF also fills in gaps between the local environmental safeguard requirements and the common environmental safeguard best practices of DFIs. The following three paragraphs highlights such gap filling actions incorporated in ESF.

- (i) The GOI's screening criteria for infrastructure development projects do not entail obtaining environmental clearances for water supply and sewerage projects, solar energy, wind power, electrical transmission line, and telecommunication lines. As a result, such projects do not require an environmental impact assessment. The environmental safeguard policies of DFIs, however, require such clearances and an environmental assessment for any physical infrastructure project, if it is expected to generate adverse environmental impacts. The ESF therefore applies to above mentioned sectors as well and requires appropriate environmental planning instruments for such projects.
- (ii) As per GOI procedures, a project proponent or its consultants conduct a public hearing before finalizing an EIA. The hearing is organized by the Central/State Pollution Control Board. The DFIs' environmental safeguard policies require the engagement of all project stakeholders early in the project cycle, namely, at the scoping stage of an EIA/IEE through consultation. In this context, ESF requires consultations with project stakeholders including project-affected persons (APs) during the formulation of an EIA for a project submitted for IIFCL's financing.
- (iii) The ESF outlines a comprehensive process of incorporating an environmental management plan developed as part of EIA/IEE in the concessionaire agreement and contract documents to make its implementation mandatory. The IIFCL will monitor the effectiveness of implementing the EMP. The ESF also provides for annual environmental audit in order to achieve compliance with environmental standards and to document lessons learned for future projects.

1. The GOI's Environmental Policy and Regulatory Framework

15. The key principles of environmental policy and regulatory framework of GOI that are incorporated in ESF are listed below. The GOI protects and improves the environment of India. This fundamental responsibility of GOI is enshrined in Articles 48A and 51A (g) of the Indian Constitution found in 42nd amendment, adopted in January 1977. These articles provide that

- (i) the state will protect and improve the environment and safeguard forests and wildlife of the country (Article 48A), and
- (ii) every citizen is bound to protect and improve the natural environment and to have compassion for living creatures [Articles 51A (g)].

16. The Ministry of Environment and Forests (MoEF) is the prime regulatory body of GOI for formulating environmental policies, laws and rules, and for issuing environmental clearance (EC) for any developmental project, as in the Schedule of the Environmental Impact Assessment (EIA) Notification, dated 14 September 2006 under the Environmental (Protection) Act, 1986.

17. The following are the key operational principles of GOI's Environmental Policy and Regulatory Framework which are incorporated in ESF.

- (i) The EIA system is primarily concerned with assessing direct and indirect impacts of a project on the biophysical and human environment, and ensuring that these impacts are addressed by appropriate environmental protection and enhancement measures.
- (ii) The EIA system supports project proponents in incorporating environmental considerations in project planning and in determining environmental impacts of their projects.
- (iii) Project proponents are responsible for determining and disclosing all relevant information needed for a methodical assessment of environmental impacts of their proposed projects.
- (iv) Review of an EIA by Central Regulatory Authority/State Environmental Impact Assessment Agency (SEIAA) is guided by the following criteria: (a) environmental considerations are integrated into overall project planning; and (b) the environmental impact assessment is sound, and the proposed environmental mitigation measures are effective.
- (v) Effective regulatory review of an EIA depends on timely, full, and accurate disclosure of relevant information in the EIA by project proponents to project stakeholders.
- (vi) Meaningful public participation is a part of EIA and it will be assessed in considering EC application.

18. In order to achieve effective implementation of the above operational principles, GOI updated its EIA Notification in September 2006. Table 2 provides highlights of the major improvements.

Compared with LIA Notification of 1994				
EIA Notification 2006	EIA Notification 1994 (including amendments)			
Decentralization of clearance process. Projects under Schedule 1 have been divided into two categories, category A and B. Category A project will require clearance from the central government (MoEF). Category B will require clearance from the state government. The state governments will first classify if the B project falls under B1 or B2 category. B1 project will require an EIA report while B2 project will not require an EIA report.	Proponent desiring to undertake any project listed in Schedule 1 had to obtain clearance from the central government.			
Screening process. Well-defined screening process with projects divided into two categories.	The project proponent assesses/screens if the proposed activity/project falls under the purview of environmental clearance, then the proponent conducts an EIA study either directly or through a consultant.			

Table 2: Major improvements in GOI's EIA Notification of 2006Compared with EIA Notification of 1994

EIA Notification 2006	EIA Notification 1994 (including amendments)
Scoping defined. The new notification defines and includes scoping. The responsibility for determining the terms of reference (TOR) lies with the Expert Appraisal Committee. The determination will be done in case of category A and category B1 projects. The final TOR shall be displayed on the website of MoEF and concerned State/Union Territory Environment Impact Assessment Authority (SEIAA).	Scoping was not applicable. The TOR was completely decided by the proponent without any public consultation.
Public consultation. All category A and category B1 projects will have to undertake public consultation except for in six activities for which public consultation has been exempted. Some of the projects exempted include expansion of roads and highways (not involving further acquisition of land), modernization of irrigation projects, etc. Some of these may have potential social and environmental impacts.	The project proponent has to write to SPCB to conduct public hearing. The state boards would be responsible for publishing notices for environmental public hearings in at least two newspapers widely circulated in the region around the project, one of which shall be in the vernacular language of the locality concerned.
The responsibility for conducting the public hearing still lies with the state PCBs.	
The public consultation will essentially consist of two components—a public hearing to ascertain the views of local people and obtaining written responses of interested parties.	
The notification makes provision that MoEF shall promptly display the summary of draft EIA report on its website and also make the full draft EIA report available in the ministry's library at New Delhi for reference.	
No postponement of the time, venue of the public hearing shall be undertaken, unless some untoward	

hearing shall be undertaken, unless some untoward emergency situation occurs and only on the recommendation of the concerned district magistrate. This was not a part of the earlier notification.

The SPCBs or Union Territory Pollution Control Committee shall arrange to video film the entire proceedings. This was also absent in the earlier notification and may be considered as a good move to ensure that public hearing is proper.

EIA = Environmental Impact Assessment, MoEF = Ministry of Environment and Forests, PCB = Pollution Control Board, SPCB = State Pollution Control Board

19. A detailed description of the EIA and EC system of GOI is presented in **Annex E-1**. The ESF of IIFCL incorporates specified requirements of the new EIA Notification (**Annex E-2**). Table 3 outlines the key elements considered in establishing equivalence between GOI environmental policy and regulatory framework and environment safeguard policies of DFIs.

•	Requirements
Item	
Overview	 Purpose of their application Topic/scope Projects requiring environmental assessment Legal requirements/standards applied General responsibilities Timing
Screening	 Screening process Screening tools Categories Overriding criterion for categorization EA activities as a result of screening Screening responsibilities
Terms of Reference (TOR) for EA	 Responsibilities for TOR preparation and review Tools and method to be used Standards applied
EA documentation	 Contents Responsibilities for EA studies Responsibilities for reviewing EA studies Language in which EA studies are reported
Impact mitigation	 Principles of mitigation Environmental Management Plan (EMP)
Consultation and disclosure	 Public consultation requirements Information disclosure requirements
Implementation and monitoring	Responsibilities for ensuring implementation of EMP

Table 3: Elements Considered in Assessing Equivalence between GOI's Environmental Policy and Regulatory Framework and DFIs Environmental Safeguard Policy Requirements

EA = environmental assessment

20. Annex E-3 presents the results of the broad comparison between GOI's Environmental Policy and Regulatory Framework and environment safeguard policy requirements of DFIs. It shows that GOI's Environmental Policy and Regulatory Framework has significant commonalities with environment safeguard policies of DFIs. The gaps and differences are limited to categorization, public consultation, and grievance redress mechanism, references to the World Bank Group Environmental, Health and Safety Guidelines including standards. Such differences and gaps will be addressed, where necessary, by closely following DFI environmental safeguard requirements in those cases wherever project comes for IIFCL's participation before technical closure and wherever DFI's funding assistance is involved (Annex E-4).¹ Each project will also be screened against the Prohibited Investment Activities List (PIAL) of DFIs as well. A list of PIAL activities is given in Annex E-5.

21. The adoption of GOI's environmental policy and regulatory framework, responsiveness to DFI's safeguard requirements with procedures appropriate to IIFCL supported by guidance to

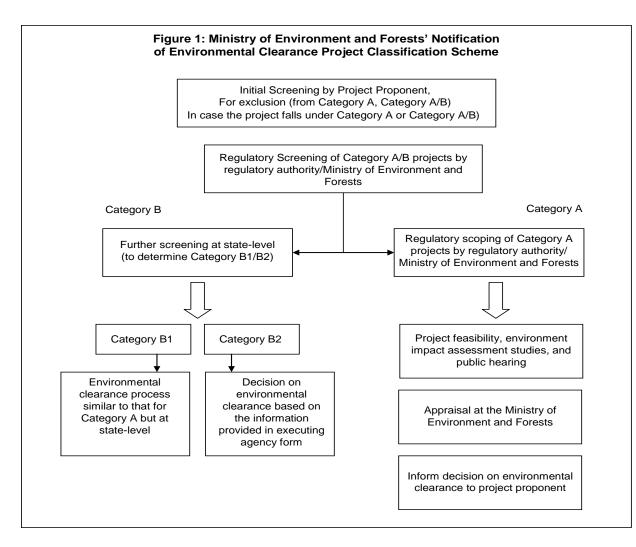
GOI uses thresholds for categorization in addition to project type and location. Some DFIs recommend a two-stage public consultation process or the conduct of a meaningful consultation process against single step public hearing followed by GOI. In addition, there is a period of 120 days of disclosure for category A projects as per the requirements of DFIs. DFIs' recommended standards and pollution prevention approaches broadly fall within the scope of the World Bank Group Environmental, Health and Safety Guidelines. The GOI follows national standards as prescribed by the Central Pollution Control Board. The State Pollution Control Boards can, however, specify stricter standards than the national standards depending on the sensitivity of the location. In case project-specific circumstances dictate the use of less stringent standards, a full and detailed justification is needed for the proposed alternative. The justification should demonstrate that the proposal is consistent with the DFI's safeguard requirements.

lead banks/borrowers, system of prioritized monitoring, audit, and disclosure of planning and monitoring reports place IIFCL's ESSF on par with that of environmental safeguard policy requirements.

2. Steps in Checking a Project for its Environmental Safeguard Compliance

22. The MoEF's notification on environmental clearance (EC) follows a project classification scheme (**Figure 1**). This classification takes project type, size, and sensitivity of location into consideration (**Annex E-2**).

23. The IIFCL will use the above categorization to prioritize the appraisal and safeguards compliance monitoring process. As explained in **Annex E-2**, projects under category A and B1 require EIA and are processed for EC at MoEF and state-level, respectively. Category B2 does not require EIA but needs information to be submitted in a prescribed format to the State Department of Environment for review. Projects under category B1 may get re-categorized into A, if general conditions (GCs) are violated that consider site sensitivity (Please refer to Annex E-2 for details of General conditions as per GOI's EIA Notification).



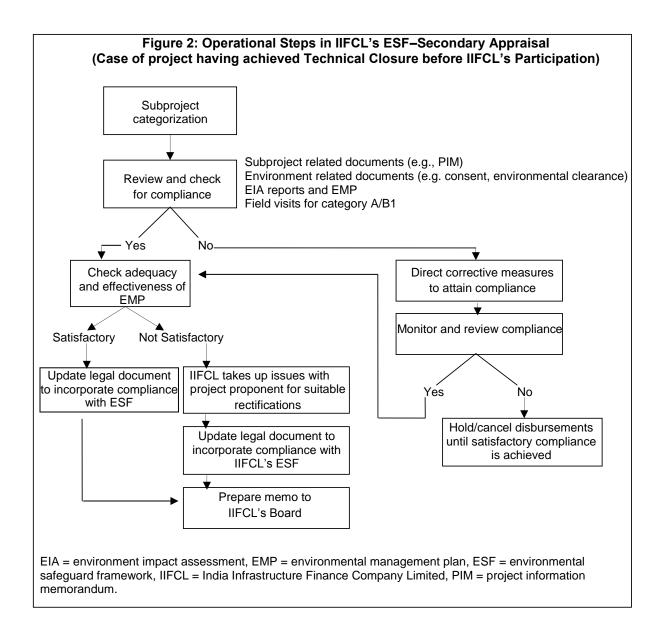
- 24. The operational steps of ESF apply to three scenarios:
 - (i) Scenario A: Project that have achieved technical closure before IIFCL's participation (Secondary Appraisal)
 - (ii) Scenario B: Projects that have not achieved technical closure before IIFCL's participation (Primary Appraisal)
 - (iii) Scenario C: Safeguards Appraisal of Projects under Take-out Finance Scheme

a. Scenario A: Process for Conducting Secondary Appraisal

25. The IIFCL associates with the project at a late stage of project development and as a result, does not undertake a primary appraisal of the project. As a result, for projects that (i) expect retroactive financing, or (ii) are in an advance stage of processing, i.e., a project that enters IIFCL pipeline just before financial closure, IIFCL relies upon the appraisal of the lead bank/project developer for environmental and social due diligence. Under a secondary appraisal, environmental due diligence begins after the receipt of primary appraisal (on environmental safeguards) along with relevant documents and information from lead bank/lead syndicator (Figure 2). The list of relevant documents and information required as part of the secondary appraisal is given in **Annex E-6**. The prime responsibility of secondary appraisal rests with the Head, Environment and Social Safeguards Management Unit (ESMU) of IIFCL.

26. Upon receipt of the required documents, ESMU will check the project for compliance with the quality checks applicable at various stages of project cycle. The steps to be followed shall include the following:

- (i) Categorize subprojects as per A/B1/B2 following guidelines of MoEF as in the latest EIA notification. Refer to **Figure 1 and Annex E-2**.
- (ii) Categorize subprojects as per environmental safeguard policy guidelines of the DFIs. If more than one DFI is participating in financing the project, and if the categorizations of DFIs differ, then assign the highest category.
- (iii) If there is a difference between the categorization based on the EIA Notification and the categorization of ESF, then the higher between the two categories will be applied.
- (iv) If there is no clear guidance in the EIA Notification, ESF scheme of categorization will be followed.
- (v) Check environment compliance. See Annex E-7, E-8, E-9 and E-10 for applicable laws and regulations. Verify approvals from SPCB (consent to establish and operate), environmental clearance from State Department of Environment/MoEF, Costal Regulation Zone (CRZ), and forest clearances, if applicable, and whether processes and procedures, especially related to public consultation and disclosure (e.g. public hearing) are correctly followed. To facilitate the required consultations with project-affected groups and local nongovernment organizations, IIFCL will ensure that the project proponent provides relevant information on the project's environmental issues in a form and language(s) accessible to those being consulted. The IIFCL will also ensure compliance with the 120-day disclosure requirement of EIA for a category 'A' project. It will also check the conformity of the project with the standards and approaches recommended by the Pollution Prevention and Abatement Handbook of the World Bank. In case the project's EA report recommends the adoption of alternative emission levels and approaches to pollution prevention and abatement to best reflect national legislation and local conditions, the EA report must justify the levels and the approaches chosen for the project or site.
- (vi) Identify gaps, if any, on environmental compliance. If there are no gaps, then review the EIA report and the adequacy of Environmental Management Plan (EMP). Please see Annex E-11 for guidance. For category A and B1 projects, an environmental specialist will visit project sites.
- (vii) If there are gaps on environmental compliance, then direct the lead bank/project proponent to submit action plan with a time frame to attain safeguard compliance. Hold disbursements until safeguard compliance is achieved.
- (viii) Monitor and review whether the agreed gap-filling measures are satisfactorily met on time. If there is a consistent default in meeting safeguard compliance, cancel further disbursements.
- (ix) For a safeguard compliant project, if the review of EMP shows its adequacy and appropriate reflection in the project costs, then update legal documents to reflect the applicability of ESF of ESSF as binding during the period of engagement. Take appropriate approval from the IIFCL Board.
- (x) If the review of EMP shows its inadequacy and/or inappropriate reflection in project costs, IIFCL will take up these issues with the project proponent for required rectifications.
- (xi) Update legal documents that reflect applicability of ESF of ESSF as binding during the period of engagement.



b. Scenario B: Process for conducting Primary Appraisal

27. For a project entering IIFCL's pipeline at the stage of conceptualization, IIFCL will have higher ability to apply ESSF in financing project. The procedure mentioned below will be relevant for all new projects entering into IIFCL's project life cycle at the stage of actual project development, before technical closure. Following steps will be followed by IIFCL in applying the requirements of ESF for a project that is not yet committed (Figure 3).

- (i) At an initial stage of identifying a project for financing and where funds of a DFI are likely to be used, the ESMU will screen the project against the Prohibited Investment Activities List (PIAL) (Annex E-5). If the project involves a prohibited activity, IIFCL will inform the lead bank/subproject proponent that the project will not be considered.
- (ii) The ESMU will categorize the subproject following the guidelines of MoEF based

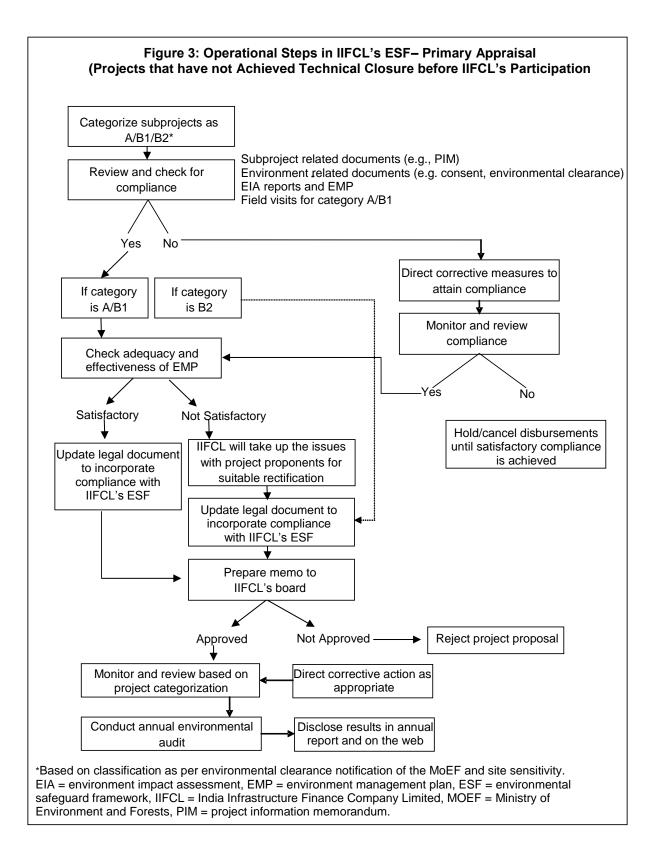
on the EIA notification (Annex E-2).

- (iii) The ESMU will also categorize the projects as per ESF guidelines. If there is more than one DFI participate in financing the project, ESMU applies categorization criteria of each participating DFI. If categorizations differ, ESMU will assign the highest category (Annex E-3).
- (iv) If there is a difference between categorization based on EIA Notification of GOI and the categorization done as per ESF, ESMU assigns the higher category of the two to the project.
- (v) In case there is no guidance in the EIA Notification on project categorization for a particular sector, ESMU follows ESF scheme of categorization which is based on categorization criteria of DFI (ADB's Safeguard Policy Statement).
- (vi) The ESMU categorizes the project as one of the following: category A (with potential significant environmental and/or social impacts); category B (with less significant environmental and/or social impacts), and category C (with minimal or no impacts).
- (vii) The IIFCL informs the lead bank/subproject proponent of the applicable requirements. For a project with potential significant environmental impacts, ESMU will advise the lead bank/project proponent that (a) safeguard requirements of DFIs will apply including the need for an environmental impact assessment (EIA) and an EMP (Annex E-4);² and (b) it will submit these reports to IIFCL for review. The IIFCL will also submit these reports to DFIs for their review and concurrence. Outlines for an EIA and EMP are provided in Annex E-12.
- (viii) Based on the review of the Periodic Audit and Monitoring Reports for category A and B projects prepared and submitted by the lead banks/project proponent, ESMU will prepare Periodic Environmental Performance Report substantially in the form of **Annex E-17** and submit it to IIFCL and participating DFIs for review. The report will also source information related with safeguards compliance status from the independent environmental audit which is to be conducted by a third party.

Category (Risk Rating)	Environmental Safeguards
Category A (with potential significant impacts)	Comply with (i) safeguard requirements of DFIs Safeguard Policy requirements including EIA preparation & submission, and (ii) national laws and regulations
Category B (with less significant impacts)	Comply with national laws and regulations
Category C (with minimal or no impacts)	Comply with national laws and regulations

Table 4: Environmental Safeguard Requirements

² Annex E-4 was derived from Appendix 1 of the ADB Safeguard Policy Statement (2009).



c. Scenario C: Safeguards Appraisal of Projects under Take-out Finance Scheme

28. Under Take-out Finance Scheme, IIFCL's engagement in any project takes place after completion of the construction phase of the project. The disbursement of "take-out" generally will take place 1 year after the actual commercial operation date (COD) of the project, except in cases of PPP roads projects (annuity basis) and other sectors as approved by the Empowered Committee. In such cases, take-out can take place immediately after COD.

29. The following procedures will be guide environmental safeguard appraisal of any project which enters IIFCL's project life cycle after achieving COD:

30. As IIFCL's participation in Takeout Finance Scheme takes place only during the operation phase of a project, its role in environmental and social due diligence would be limited to ensuring safeguard compliance applicable to the post-COD phase.

31. The post-COD project safeguard appraisal essentially follows a check list approach. The Environmental Specialists and Social Specialists of IIFCL will review the project for compliance with the quality checks applicable at various stages of project development based upon available documents as provided by lead bank/project developer. The checklist for information required for reviewing safeguards compliance and the implementation status in any project is in **Annex-13**.

32. Operational phase monitoring and reporting arrangement for environmental safeguard compliance will be ascertained by reviewing the implementation of its EMP.

33. Operational risks typically arise during project operations which could lead to further regulatory action such as corrective action plans or public protest. To mitigate such risks, IIFCL will request the lead bank to seek regular operational phase reports and seek corrective measures by the project proponent in case of non-compliance of standards or adverse impact on population. To ensure compliance, IIFCL will include suitable covenants in the Take-out Finance Scheme related documents. For safeguards compliance requirements of any project during operational phase, the applicable environmental safeguards categorization criteria are given in Table 5 below.

Category (Risk Rating)	Environmental Safeguards
Category A (with potential significant impacts during operation phase)	Comply with (i) Safeguard requirements of the DFIs safeguard policies including EIA preparation and submission, and (ii) national laws, regulations and regulations
Category B (with less significant impacts during operation phase)	Comply with national laws nd regulations
Category C (with minimal or no impacts during operation phase)	Comply with national laws and regulations

 Table 5: Environmental Safeguard Requirements for Post-COD Projects

3. Environmental Due Diligence

- 34. The ESMU will follow the following steps in conducting environmental due diligence.
 - (i) The ESMU undertakes environmental due diligence of each project. Depending on the complexity of the project, due diligence take the form of a desk review (for

category C project) or a report based on a site visit (for category B project), or a full-scale review conducted by ESMU (for category A project). The lead bank/project proponent will provide required information and data to IIFCL and will demonstrate sufficient responsiveness to all applicable environmental safeguard requirements including that of participating DFIs if DFI's assistance is also involved.

- (ii) The ESMU review project documents for their compliance with GOI and state environmental laws and regulations (Annex E-7, E-8, E-9 and E-10). The ESMU verifies the consent of SPCB (consent to establish and operate), environmental clearances from State Department of Environment/MoEF, CRZ, and forest clearances, if applicable, and whether processes and procedures, especially related to public consultation and information disclosure (e.g. public hearing) are adequately followed. For projects with potential significant adverse environmental impacts, ESMU also checks the project's safeguard compliance with participating DFI's safeguard requirements (Annex E-4) in case if the project is to receive the DFI's funding.
- (iii) If there are gaps on environmental safeguard compliance, an inadequacy and/or inappropriate reflection on project safeguard compliance in reports submitted by the Lead bank or project proponent, IIFCL will agree with the lead bank/project proponents to formulate targeted corrective actions to attain the project's safeguard compliance. The IIFCL will take up these compliance gaps/issues with project proponent for required rectification.
- (iv) The ESMU staff of IIFCL prepares the environmental and social due diligence reports for category A and B subprojects and shares them with project proponents. In case if any safeguard non-compliance is noted, then corrective actions are suggested and follow up is done with the project proponent. An outline of a due diligence report is at **Annex E-14**.
- (v) In case of a category A project which is being considered by IIFCL to fund with DFI contributions, IIFCL will refer it to the respective DFI with all relevant environmental information of the project early in the due diligence process. The IIFCL will also submit to the DFI the draft EIA report together with EMP for review and approval before the project is considered by IIFCL's board. The EIA report will be made publicly available at least 120 days before the IIFCL board considers the project.
- (vi) The ESMU ensures that legal documents will contain appropriate environmental covenants requiring investments to be in compliance in all material respects with the applicable environmental safeguard requirements and reflecting the applicability of ESF as binding during the period of engagement.

4. Safeguard Compliance Monitoring and Reporting

- 35. The following procedures will apply for both scenario A and scenario B projects.
 - (i) After a category A or B subproject is approved, IIFCL (a) communicates with the lead bank/project proponent from time to time to verify whether the project has met applicable environmental safeguard requirements. It will promptly report any actual or potential breach of compliance requirements to the lead bank and request correctional actions immediately. For a category A project, ESMU will visit the site periodically to monitor the implementation of the EMP.³

³ For a category A subproject investment with facilities and/or business activities that already exist or are under

(ii) Each approved project will be evaluated for its environmental safeguard compliance performance annually. The benchmark for performance will be the ongoing compliance against the applicable environmental safeguard requirements. The project proponent will submit periodic environmental monitoring report to IIFCL for various project activities for which scope of environment monitoring is suggested in Annex E-15. The IIFCL will also prepare and submit an Annual Environmental Compliance Monitoring and Evaluation Report to DFI (Annex E-16), and will review and assess the project's environmental safeguard performance.

B. Social Safeguard Framework

1. Objectives of Social Safeguard Framework (SSF)

36. The SSF is an integral component of ESSF. The key objective of SSF is to guide lead banks and borrowers on safeguards policy issues in preparing projects for appraisal at IIFCL and in conducting subsequent monitoring of project implementation, reporting, undertaking corrective actions, if any. Development or expansion of infrastructure projects tends to cause involuntary resettlement (IR) impacts on persons and communities including tribal peoples. Where tribal peoples are the project-affected persons, a project can have impacts on their communal and cultural interests, rights and livelihoods. If a project has direct impacts on their ancestral domain, tribal knowledge or their control over natural resources, it is necessary to hold meaningful consultations with them to obtain their free, prior and informed consent for the project to proceed as per the national laws, regulations, procedures and safeguards policies of participating DFIs.

37. Other key objectives of SSF are to ensure that project-affected persons benefit from the proposed projects to the extent possible, and that they are consulted about the project throughout its life.

38. The IIFCL will ensure that IR impacts of any project submitted for financing are dealt with closely following the policy and legal instruments listed given below:

- (i) Applicable GOI and state laws and regulations governing land acquisition, compensation, relocation, and resettlement
- (ii) Lenders' safeguard policies on IR impacts, and
- (iii) Involuntary resettlement safeguards policy requirements of participating DFIs.
- 39. The SSF is based on the following key principles regarding involuntary resettlement:
 - (i) Avoid physical displacement and involuntary relocation, if feasible.
 - (ii) Explore alternatives to avoid physical displacement and involuntary relocation
 - (iii) Minimize involuntary relocation, if physical displacement is unavoidable.
 - (iv) Consult all project-affected persons (PAPs) on land acquisition, compensation, relocation and income rehabilitation.
 - (v) Disseminate project information among all PAPs.
 - (vi) Ensure PAPs receive compensation, resettlement assistance and income rehabilitation support so that they could improve or at least restore their

construction, the ESMU will visit the site to monitor the implementation of the EMP including the corrective action plan, if any.

livelihoods and sources of income to the pre-project level.

- (vii) All PAPs are eligible compensation and resettlement assistance programmes regardless of title to the land.
- (viii) The cut-off date for eligibility should be the date of first notification for land acquisition.
- (ix) Compensation for loss of assets must be at replacement value (Annex S-1).
- (x) A comprehensive entitlement matrix is formulated to describe entitlements of each category of PAPs (Annex S-2).
- (xi) Full compensation must be paid prior to taking over the land and other assets.
- (xii) Project information should be disseminated in a timely fashion, consultations held with all affected persons, and plan versions and monitoring reports disclosed at regular intervals in local languages.
- (xiii) Independent monitoring system to monitor the implementation of the involuntary relocation programme should be incorporated in RP.
- (xiv) Detailed timetable for RP implementation
- (xv) Detailed budget and sources of budget for compensation, relocation, and rehabilitation of PAPs.

40. The term "affected person" applies to any person, household, community, firm, or private institution that would get affected by a project. In case of individuals, such a project would affect (i) their standards of living; (ii) right, title, or interest in any house, land (including residential, commercial, and agricultural land, forests, and pastures), water resources, or any other moveable or fixed assets, permanently or temporarily; and/or (iii) business, occupation, and place of work or residence.

- 41. The SSF is based on the following key principles regarding tribal peoples safeguards
 - (i) Screen the affected population to determine whether tribal peoples (TP) are present in the project area and the project is likely to have any impact on them
 - (ii) Conduct a SIA to understand their socioeconomic conditions so that adverse project impacts on them could be avoided or minimized and their participation in sharing project benefits is increased.
 - (iii) Undertake a meaningful consultation with them and their TP organizations
 - (iv) Obtain their consent for acquiring their ancestral land, commercial development of natural resources within customary lands under use, and commercial development of TP cultural resources and knowledge.
 - (v) Avoid acquisition of ancestral lands and physical displacement of TP.
 - (vi) Avoid any restrictions on their access to their ancestral domain
 - (vii) Prepare a TDP based on SIA to address all impacts on TPs and to resolve them in a culturally appropriate manner without harming their culture, religion or identity
 - (viii) Disclose TDP and consultation findings and SIA widely and on websites
 - (ix) Prepare an Action Plan for legal recognition of customary rights to ancestral domains when land is acquired for projects and TP are physically displaced.
 - (x) Monitor TDP implementation through participatory monitoring approach and disclose monitoring reports

42. The SSF recognizes the needs of the poorest affected persons and vulnerable groups who are at high risk of impoverishment and further marginalization because of project interventions.

2. Social Safeguard Policy Compliance Review Process

- 43. The operational steps of SSF consider three scenarios.
 - (i) Scenario A: projects that have achieved technical closure before IIFCL's participation (secondary appraisal).
 - (ii) Scenario B: projects that have not achieved technical closure before IIFCL's participation (primary appraisal)
 - (iii) Scenario C: safeguards appraisal of projects under take-out finance scheme.

a. Scenario A: Process for Conducting Secondary Appraisal

44. The IIFCL engages with a project at a later stage of project development and as a result, does not undertake a primary project appraisal. Such projects take the form of (i) retroactive financing, or (ii) a project in advance stages of processing, i.e., the project enters IIFCL pipeline just before financial closure. In such projects, IIFCL relies upon the lead bank/lead syndicator and project proponent for environmental and social safeguard due diligence and appraisal. Under the secondary appraisal mode, social due diligence begins after the receipt of primary appraisal (on social safeguards) along with relevant documents and information from lead bank/lead syndicator. The list of relevant documents and information required as part of the secondary appraisal is given in **Annex S-3**. The prime responsibility of secondary appraisal rests with the Head, ESMU.

45. Upon receipt of the required documents, ESMU will check the project for social safeguard compliance. The steps to be followed:

- (i) Screen proposed subprojects for involuntary resettlement impacts and impacts on tribal peoples.
- (ii) Review Resettlement Plan (RP) and/or Tribal Development Plan (TDP) against the involuntary resettlement and tribal peoples safeguard principles listed in SSF.
- (iii) If RP/TDP implementation shows any serious weakness or prolonged delay, IIFCL will discuss such issues with the project proponent and agree on required rectifications.
- (iv) Identify gaps, if any, between involuntary resettlement and tribal peoples safeguard requirements listed in SSF and project borrower/client's social safeguard policy. If there are gaps, direct lead bank/project proponent to prepare targeted actions to address them within a specified time frame in order to attain safeguard compliance. Hold disbursement until safeguard compliance is achieved.
- (v) Monitor and review whether the agreed gap-filling measures are satisfactorily met in stipulated time. If there is a consistent default, then cancel any further disbursements.
- (vi) Update legal documents that reflect applicability of SSF as binding during the period of IIFCL's engagement in the project.

b. Scenario B: Process for Conducting Primary Appraisal

46. Regarding projects that enter its project pipeline at the stage of their conceptualization, IIFCL will be in a better position to apply SSF requirements fully in financing project. The procedures mentioned below will apply to all new projects entering into IIFCL's project life cycle at the stage of project development, and before technical closure.

- (i) Categorize the impacts of the project to ascertain whether it will have involuntary resettlement impacts or impacts on tribal peoples or both (Annexes S-4 and S-5). The IIFCL, based ESMU's review of the borrower's reports and consultations with lenders, will determine the magnitude of IR impacts of the project and decide whether or not a RP is required (see Annex S-6 for RP format). An RP will be required if involuntary resettlement impacts are "significant" (category A). This means 200 or more persons will experience major project impacts such as being physical displaced or losing 10% or more of their productive assets which generate income. If less than 200 persons are estimated to experience above impacts, the project will be categorized as "less-significant" (category B) and it will require a RP to address them. No or insignificant involuntary resettlement impacts on persons will be categorized as C for which no RP is required.
- (ii) If the project has any impacts (positive or adverse) on tribal peoples, a determination will be made with the assistance of an expert on tribal studies as to the magnitude and significance of the impacts and whether or not to prepare a TDP. The impacts of a project on tribal peoples will be considered as "significant" (category A), if they positively or adversely (a) affect their customary rights of use and access to land and natural resources; (b) change their socioeconomic status; (c) affect their cultural and communal integrity; (d) affect their health, education, livelihood, and social security status; or (e) alter or undermine the recognition of tribal knowledge. "Less significant" impacts on tribal peoples will be categorized as C. In case of category A impacts, a TDP will be prepared. In case of category B, safeguard specialists who have determined the degree of significance of project impacts on tribal peoples will decide whether to formulate a TDP or to incorporate elements of a TDP in the project's RP (Annex S-7 for TDP format).
- (iii) Prepare required planning instruments such as RP and TDP based on the above categorization(s) and determinations. See **Annex S-8** for applicable policies, laws and regulations.
- (iv) If a RP and/or TDP are submitted, review them for their adequacy and safeguard compliance against IR principles incorporated in SSF. Identify gaps, if any, between SSF and the project borrower/client's social safeguard policy. If there are gaps, the borrower/client will address them in the RP/TDP before approving them. In RP and/or TDPs will include summaries of field level consultations and decisions. This is to be done by a social safeguards specialist.
- (v) Disbursements should not be made until the RP/TDP is considered as satisfactory by ESMU. This means, the RP/TDP covers all domestic laws and regulations as well as the safeguards requirements listed in safeguard policies of participating DFIs pertaining to the project's social impacts in case if the project is posed for DFI's funding.
- (vi) Monitor and review whether the agreed gap-filling measures are satisfactorily met in the stipulated period of time. If there is a continuing default, cancel further disbursements until a corrective action plan is formulated and implemented to fill such gaps.
- (vii) If a project is found to be compliant with social safeguard (IR and tribal peoples) requirements, update legal documents to reflect the applicability of IIFCL's commitment to the RP and/or TDP as binding during the period of engagement. Obtain approval of the IIFCL board for the project.
- (viii) If the review of the RP and/or TDP shows their significant safeguard inadequacies IIFCL will contact project proponent to obtain required

rectifications. Update legal documents to reflect the applicability of IIFCL's social safeguard plans as binding during the period of engagement.

- (ix) Revise RP and/or TDP on completion of detailed project design, as necessary.
- (x) Monitor RP and/or TDP and prepare monitoring reports. Submit them to participating DFIs for review.
- (xi) Link the project closure to satisfactory completion of social safeguard requirements as per RP and/or TDP.

c. Scenario C: Safeguards Appraisal of Projects under Take-out Finance Scheme

47. Under the take-out finance scheme, IIFCL's participation in a project will take place after the completion of project's construction phase. The disbursement of "take-out" generally will take place 1 year after the actual commercial operation date (COD) of the project except in cases of PPP roads projects (annuity basis) and projects that may receive the approval of the Empowered Committee. In such cases, the "take-out" can take place immediately after COD.

48. The following procedure will apply to social safeguards appraisal of any project which enters IIFCL's project life cycle after achieving COD:

- (i) As IIFCL cannot appraise social safeguard compliance during project construction phase, it will for environmental and social due diligence relies on the appraisal done by lead bank/project developers.
- (ii) The post-COD project safeguards appraisal essentially follows a check list approach and relies upon the fact that the lead bank has already reviewed the project for safeguard compliance. The Social Specialist of IIFCL will check the project for compliance with the quality checks applicable at various stages of project development based upon available documents as provided by lead bank/project developer. The checklist for information required related with safeguards compliance and implementation status of a project is attached at **Annex S-9**.
- (iii) The safeguard compliance monitoring and reporting arrangements during the operational phase of the project will be checked. If they are found to be inadequate, IIFCL will contact the Lead Bank/Project developer and discuss necessary arrangements to gain social safeguard compliance.
- (iv) In case of projects that enter IIFCL's pipeline after passing their construction stage, the Lead bank may not have adequate information on compliance of social safeguards. In such a situation, IIFCL will try to collect additional information through site visits and consultations with affected persons. The IIFCL will also sensitize project developers on how to fill the gaps in social safeguard compliance and update legal documents to reflect applicability of SSF as binding during the period of engagements.
- (v) Operational risks typically arise during project operations which could lead to further regulatory action such as corrective action plans or public protest. To mitigate such risks, IIFCL will request the lead bank to seek regular operational phase reports and seek corrective measures by the project proponent in case of non-compliance of standards or adverse impact on population. To ensure compliance, IIFCL will follow-up with the lead bank to include suitable covenants in operation and maintenance contracts.

3. Social Safeguard Due Diligence

49. The ESMU prepares the social due diligence report for each project. The due diligence report will be shared with the project proponent and if DFI funds are involved in financing the project, the due diligent report together with all planning instruments such as SIA, RP, and TDP will be sent to the participating DFI for review and approval.

50. Depending on the complexity of the project, due diligence can be a desk review (for category C subproject), a full-scale review conducted by ESMU or consultant(s) based on a site visit (for category A/B subproject). The lead bank/project proponent must provide all requested information to the IIFCL and should be able to demonstrate adequate responsiveness with regard to the applicable social safeguard requirements.

51. The ESMU checks social safeguard compliance of the project against SSF which incorporate GOI and state laws and regulations and also check against DFI's safeguard requirements in case the project is posed for DFI's funding. If there are gaps on social safeguard compliance, IIFCL agrees with lead bank/borrowers to formulate targeted actions to attain projects safeguard compliance. The IIFCL will discuss compliance gaps/issues with project proponent for required rectifications.

52. The ESMU staff ensures that legal documents will contain appropriate social covenants requiring investments to be in compliance in all material respects with the applicable environmental safeguard requirements and reflect the applicability of SSF as binding during the period of engagement.

53. An outline of a Social Due Diligence Report is given in **Annex S-10**

4. Monitoring and Reporting

54. Monitoring and reporting requirements will be defined as part of each RP and/or TDP. In addition, each borrower will engage an external independent monitoring agent to undertake external monitoring of RP and TDPs. Reporting and monitoring formats will be prepared for both internal and external monitoring. Annual external monitoring reports will be submitted to the lenders. See **Annex S-11** for sample TOR for an external monitoring and reporting agency.

55. One key function of the external monitoring would be to ascertain whether any unanticipated impacts on tribal peoples or unanticipated resettlement effects become apparent during project implementation. In such cases, the external monitor would assist the borrower to assess the significance of the impacts and identify measures to mitigate any adverse impacts and ensure that benefits accrue to the tribal peoples. The ESMU would be informed of and review such measures and their implementation. The external monitor would also certify compliance with the requirements of the RP and/or TDP.

56. Each approved project will be evaluated for its social safeguard compliance performance annually. The ESMU will prepare an annual report summarizing the progress of each borrower's operations which had IR impacts and/or impacts on tribal peoples. The benchmark for performance will be the ongoing compliance against the applicable social safeguard requirements. The project proponent will submit periodic social safeguards monitoring report to IIFCL for various project activities for which scope of social monitoring is suggested in **Annex S-12**. The IIFCL will also prepare and submit an Annual Social Compliance Monitoring and Evaluation Report to DFI (**Annex S-13**), and will review and assess the project's social

safeguard performance. Based on the review of the periodic audit and monitoring reports for the projects prepared and submitted by the lead banks/project proponent, ESMU will prepare periodic environmental and social performance report substantially in the form of **Annex E-17** and submit it to IIFCL and participating DFIs for review. The report will also source information related with safeguards compliance status from the independent social audit which is to be conducted by a third party.

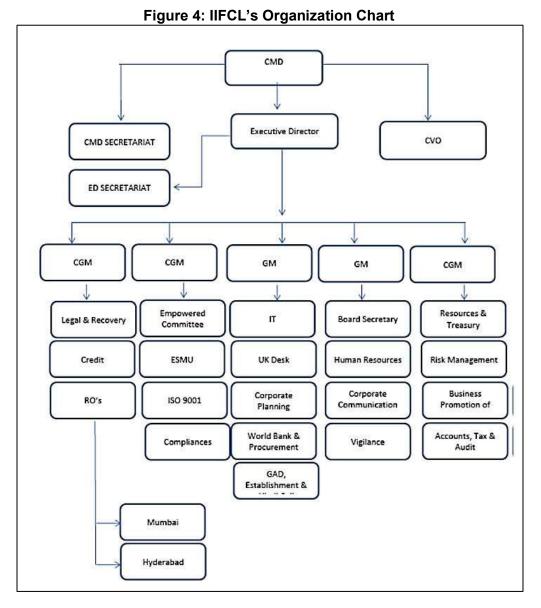
IV. INSTITUTIONAL/ORGANIZATION STRUCTURE OF INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED

57. IIFCL's board comprises the chairman and managing director (CMD) and a fulltime director nominated by GOI. In addition, GOI has nominated four experts and three officials as part-time directors of IIFCL.

58. The CMD is assisted by the executive director and three chief general managers (CGMs).

59. The company operations team comprises dedicated professionals drawn from different banks, FIs, campus recruitment, and direct recruitment. The IIFCL operates with a lean and thin structure to keep overheads to a minimum.

60. ESMU was set up at IIFCL in 2010 to operationalize ESSF and to take charge of ensuring compliance of safeguard requirements of projects that IIFCL funds. Figure 4 shows the IIFCL's organization structure.



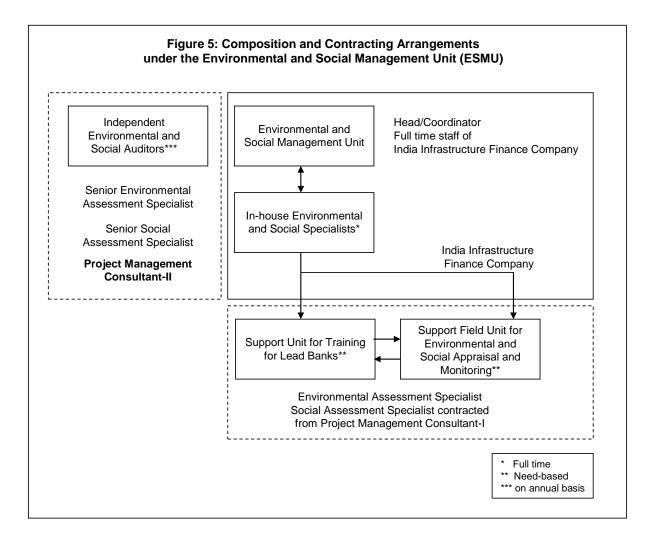
61. Figure 5 below shows the composition and contracting arrangements under ESMU. The ESMU will be headed by a full-time staff of IIFCL who could be either invited on deputation from other organizations or recruited. This person will have masters in environmental science/engineering/planning with at least 10 years of experience in conducting/reviewing environmental and social assessments. Familiarity with GOI laws, regulations and procedures will be essential, and exposure to environmental and social safeguard systems of DFIs will be desirable.

62. ESMU will draw specialists through direct recruitment and one full-time environmental specialist and one full-time social safeguard specialist will be engaged. These two specialists will work at IIFCL and report to the Head, ESMU. The environmental specialist should have masters in environmental science/engineering/planning with at least 5 years of experience. Previous experience in preparing Environmental Impacts Assessments (EIAs) and Environment Management Plan (EMPs) and obtaining environmental clearance (EC) at center and state-

levels for infrastructure projects will be essential. The social assessment specialists will have masters in social science or allied areas with at least 5 years of experience in the preparation of Social Impact Assessments (SIA), Resettlement Plans (RP) and Tribal Development Plans (TDP). In order to facilitate the delivery of its mandate and the following services, ESMU will also be supported by external competent consulting organizations/individual specialists working as Project Management Consultant-I (PMC-I). PMC-I will be identified through competitive bidding. These specialists will deliver the following services:

- (i) Conduct compliance review.
- (ii) Check adequacy and effectiveness of EMPs/RPs/TDPs.
- (iii) Develop conditions as loan covenants that stipulate requirements or outcomes of EMP/RAP/TDPs.
- (iv) Prepare memos for the Board on the above.
- (v) Prepare sector-specific checklists, guidelines, monitoring, and reporting formats to strengthen ESF. These guidelines will make use of the materials developed by GOI and DFIs (Annex G-1, E-18, E-19, E-20, E-21, E-6 and S-3 illustrate such guidance materials of relevance to lead banks/borrowers. PMC-I will build a compendium to this effect and provide to the lead banks/borrowers).
- (vi) Coordinate with field environmental and social specialists in assessment, monitoring, and review, as required.
- (vii) Coordinate with lead banks/borrowers to support independent environmental and social auditors (PMC-II) for preparing IIFCL's Annual Environmental and Social Report.
- (viii) Prepare progress and performance reports for various DFIs.
- (ix) Coordinate with training specialists provided by PMC-I to conduct training program for lead banks/borrowers on project processing under ESSF.
- (x) Update ESSF based on operational experience.
- 63. PMC-I will support ESMU on a need basis for the following:
 - (i) conduct field visits for assessments, monitoring, and reviewing (especially for category A and B1 projects for safeguard impacts); and
 - (ii) conduct awareness and training program on ESSF for lead banks/borrowers.

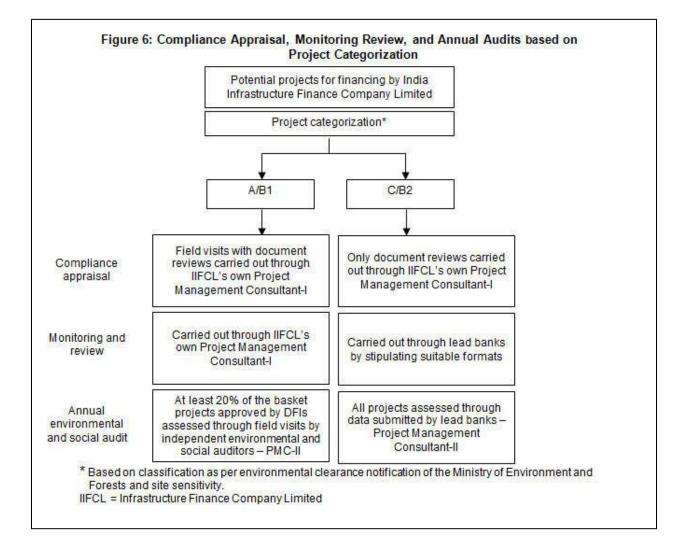
64. PMC -1 support will not be in-house based, but provided using the pool of resources available at PMC-I. For the delivery of its mandate and the above mentioned services, ESMU will also be supported by external competent consulting organizations/individual specialists working Project Management Consultant –II (PMC-II).



A. Periodic Safeguard Audit and its Disclosure

65. The IIFCL will conduct periodic environmental and social audits through independent consultants (PMC-II). The audit process will consider project categories for better focus and optimization. Figure 6 below explains this concept.

66. The PMC-II will conduct a periodic environmental and social audit with the help of Senior Environmental and Social Specialists using a combination of data reported by lead banks/borrowers and field visits.



67. The PMC-I will provide monitoring assistance to all lead banks/borrowers. It will supplement such support through field visits, where necessary, and by verifying submitted information. Specialists from PMC-I will be accompanied by a representative of lead bank/borrowers during field visits. The PMC-II will prepare the periodic environmental and social audit report with observations and recommendations, especially if corrective actions are required. This report will be finalized by ESMU Head and will be submitted to the IIFCL board along with actions proposed for corrective actions, if any. After the board's approval, this report will be included in the annual report of IIFCL. A soft copy of this report will be uploaded on IIFCL's website. **Annex E-16** and **S-13** present a typical audit recording sheet. **Annex E-15 and S-12** lists typical monitoring and reporting format for the periodic report to be submitted by borrower.

B. Reporting to Development Financial Institutions

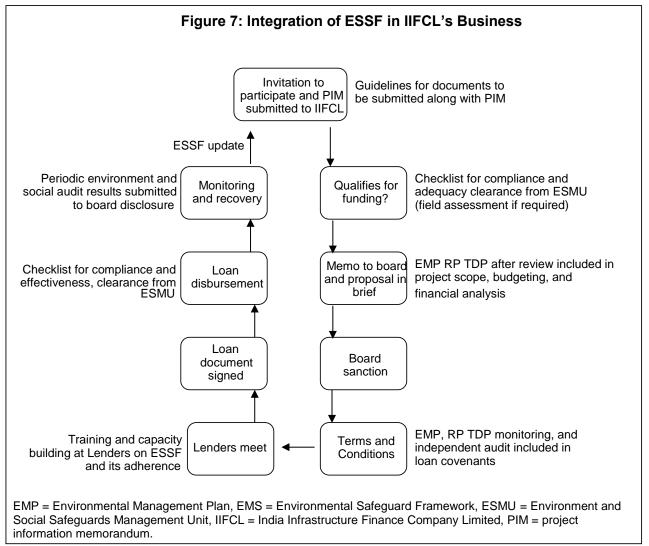
68. Apart from the annual environmental and social audit reports, IIFCL will prepare safeguard compliance reports, from time to time, as required by various DFIs. When a periodic finance request (PFR) is made, a report on environmental and social safeguard performance of

previous projects and corrective action plans are also submitted. Such reports will be prepared by ESMU in consultation with DFIs building on the regular monitoring and review processes under ESF as well as on periodic environmental and social audit reports. **Annex E-17** provides a reporting format.

69. **Annex G-2 and G-3** provide an outline of TORs for contracting PMC-I and PMC-II. The IIFCL will call for bids from reputable environmental and social consulting organizations and recruit PMC-I and PMC-II. The contracts will be valid for a period of 3 years, but tenable only based on performance indicators. The IIFCL will have every right to ask for replacement of staff, if so desired.

C. Mainstreaming ESSF in Project Processing

70. The IIFCL will mainstream its ESSF in its business process. Figure 7 below shows how that integration will be completed.



D. Allocation of Responsibilities for Safeguard Compliance

71. Proposals to IIFCL will typically arise from lead banks/designated lead syndicator and borrowers either for seeking direct lending or for refinance.

72. "Lead bank" means a financial institution that is funding the project and is designated as such by the inter-institutional group or consortium of financial institutions, provided the risk exposure of IIFCL is less than that of the lead bank in a project.

73. The lead banks/designated lead syndicator and borrowers shall present their appraisal of the project to IIFCL to appraise it. The IIFCL will not normally be required to carry out any independent appraisal of a project. Hence, the lead bank/designated, lead syndicator and borrowers will be expected to provide IIFCL all the required documentation (consents, clearances, EIA reports, safeguard compliance reports) in line with the requirements of ESF.

74. Similarly, the lead banks/designated lead syndicator and borrowers will be responsible for regular monitoring and periodic evaluation of compliance of the project with agreed milestones and performance levels particularly for the purpose of disbursement of IIFCL funds. It will send periodic progress reports in prescribed formats and according to the timetable provided by IIFCL. The lead banks/designated lead syndicator, and borrowers will therefore be responsible to report environmental safeguard compliance of the project to IIFCL in the formats as prescribed by ESF. Table 6 summarizes allocation of responsibilities.

		Secondary
Tasks	Primary Responsibility	Responsibility
Submit all documentation related to environmental		
consents, clearances, etc. and EIA/EMP/RP/TDP		
reports	Lead Bank/borrower	
Check environmental and social compliance	ESMU/IIFCL	PMC-I
Check adequacy safeguard planning reports	ESMU/IIFCL	PMC-I
Review PIM and EMP, RP, TDP; conduct financial		
appraisal	ESMU/IIFCL	PMC-I
Specify conditionalities and update legal		
documents	ESMU/IIFCL	PMC-I
Prepare memo to IIFCL board	ESMU/IIFCL	
Implement EMP, RP, TDP	Lead Bank/Borrower	
Conduct social and environmental monitoring	Lead Bank/borrower	
Meet environmental and social safeguard		
compliance	Lead Bank/borrower	
Conduct environmental and social monitoring and		PMC-I, Lead
evaluation	ESMU/IIFCL	Bank/borrower
Conduct periodic environmental and social audit		
and disclose the periodic environmental audit		PMC-II, lead
report	ESMU/IIFCL	banks/borrower
Conduct awareness and training	ESMU/IIFCL	PMC-II
Update ESSF	ESMU/IIFCL	PMC-I

Table 6: Allocation of Responsibilities

EIA = Environmental Impact Assessment, EMP = Environmental Management Plan, ESF = Environmental Safeguard Framework, ESMU = Environment and Social Safeguards Management Unit, IIFCL = India Infrastructure Finance Company Limited, PIM = project information memorandum, PMC = Project Management Consultant.

E. Capacity Development for Safeguard Compliance

75. The IIFCL has signed a memorandum of understanding (MOU) for cooperation/participation in infrastructure finance with several banks/financial institutions. These include Andhra Bank, Bank of Baroda, Canara Bank, Corporation Bank, HUDCO, IDBI Bank, IDFC, IL&FS, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Syndicate Bank, UTI Bank, Vijaya Bank, and Punjab National Bank.

76. Except IL&FS and IDFC, none of the above banks have environmental and social safeguard frameworks.

77. Since the effectiveness of ESSF depends mainly on the understanding and preparedness of lead banks/designated lead syndicator and borrower, IIFCL makes an effort to sensitize lead banks/borrowers on management of environmental and social safeguard issues, provides guidance and encourages them to build requisite in-house capacities.

78. The IIFCL with the assistance of PMC-I will offer lead banks/designated lead syndicator and borrowers a short training program (1 to 2 days duration), at least two times a year to explain ESF, its importance, procedures and benefits. It will further encourage lead banks/borrowers in particular to consider adopting the ESSF as their own environmental safeguard policy. The IIFCL will provide incentives, e.g., accelerated monitoring and/or fast track project processing when proposals are received/approved from lead banks/borrowers which follow ESSF equivalent in their operations.

79. **Annex G-4** provides an outline of sample training program for lead banks/borrowers.

80. The IIFCL's ESMU will receive capacity building training in (i) screening prospective subprojects for IR and tribal effects, (ii) plan preparation and appraisal, (iii) plan monitoring, and (iii) reporting. The ESMU in addition to its own staff, Safeguards Liaison Officers (resettlement/tribal and environment), IIFCL can contract an external agency to carry out the social safeguard assessment, guidance, appraisal, monitoring, and reporting functions for which IIFCL will be responsible.

81. The ESMU's Social Safeguards Liaison Officer (SSLO) could be either invited on deputation from other organizations or recruited. This person will have a masters or higher degree in social science with at least 10 years of experience in conducting/reviewing social assessments and working with resettlement and tribal issues in India. Familiarity with GOI regulations and procedures will be essential and exposure to social safeguards at DFIs will be desirable.

82. The SSLO will deliver the following services:

- (i) conduct compliance review of each subproject submitted for financing;
- (ii) check the adequacy and effectiveness of RPs/TDPs;
- (iii) prepare a memo for the IIFCL board;
- (iv) develop conditions as loan covenants that stipulate requirements or outcomes of RPs/TDPs;
- (v) coordinate with subproject social specialists for assessment, monitoring, and review as required;
- (vi) coordinate with subproject social specialists and subproject external monitors for preparing IIFCL's annual environmental and social report;

- (vii) prepare sector specific checklists, formats, and guidelines to supplement the SSF. These guidelines will fully make use of materials developed by GOI and DFIs;
- (viii) interface and provide guidance to the lead banks/sub-borrowers on project processing under the SSF; and
- (ix) update SSF based on operational experience.

83. Since the effectiveness of IIFCL's application of the IR and tribal peoples safeguards measures depends considerably on the understanding and preparedness of the lead banks/designated lead syndicator, it is important that IIFCL makes effort to sensitize the lead banks/designated lead syndicator on management of social issues, provide guidance, and encourage them to build requisite capacities.

84. The IIFCL will offer lead banks/sub-borrowers short programs (1-2 days duration), at least 2 times a year, to explain IIFCL's obligations, their importance, and benefits.

F. Responsibilities in Safeguard Compliance

85. The IIFCL, through the ESMU, will be responsible reviewing and approving each project after examining its environmental and social safeguard compliance. It will also discuss with the project proponent any gaps and weaknesses in such planning documents and make arrangements to rectify them.

86. The responsibility of complying with safeguards policy requirements is with each borrower. But the facility will make sure such compliance is achieved during the loan period.

87. The lead bank/designated lead syndicator and borrower will present its appraisal of the project for consideration to IIFCL. The IIFCL will not normally be required to carry out any independent appraisal of the project. Hence, the lead bank/designated lead syndicator and sub-borrower will be expected to provide IIFCL all the required documentation (consents, clearances, reports) in line with the requirements of IIFCL's ESSF.

88. The borrowers will be responsible for planning, preparing, financing, disclosing, and implementing an EIA/IEE, RP, and TDP in accordance with ESSF and the applicable policies, laws, and regulations. Borrowers will engage the requisite environmental and social scientific expertise to help carry out the necessary studies, analyses, and document preparation. Such experts will also need to oversee borrower implementation of any environmental, resettlement and tribal peoples development plans. Qualifications should include familiarity with devising EIA, IEE, resettlement plans, and TDP according to both national and international standards.

89. The lead bank/designated lead syndicator and borrower shall be responsible for regular monitoring of safeguard compliance of the project with agreed milestones and performance levels particularly for purposes of disbursement of IIFCL funds. It shall send periodic progress reports in such form and, at such times, as may be prescribed by IIFCL. The lead banks/borrowers will therefore be responsible to report EIA/IEE/EMP, RP, and/or TDP compliance of the project to IIFCL in the formats as prescribed by the plans.

G. Environment and Social Safeguard Framework Update

90. The IIFCL maintains ESSF on its website and welcomes comments and suggestions on how to improve it.

91. The IIFCL periodically reviews and updates ESSF. The need to revise and update ESSF arises from the need to consolidate vast experience accumulated by applying ESSF to a variety of projects or from significant changes in GOI environmental policy and regulatory framework or revision of safeguard policies of DFIs. The revision and update of ESSF will be the responsibility of ESMU.

ANNEXES TO ENVIRONMENTAL AND SOCIAL SAFEGUARDS FRAMEWORK

- 1. List of Annexes Pertaining to Environmental Safeguard Framework (Annex E-1 to E-21)
- 2. List of Annexes Pertaining to Social Safeguard Framework (Annex S-1 to S-13)
- 3. List of General Annexes (Annex G-1 to G-4)

LIST OF ANNEXES PERTAINING TO ESF (ANNEX E-1 TO E-21)

Annex No.	Title of the Annex	Remarks
Annex E–1	Overview of the Environment Impact Assessment (EIA) Process of Government of India (GOI)	Provides a detailed description of EIA notification 2006 and the procedure GOI follows for environmental clearance of projects
Annex E–2	Specified Requirements for Environmental Clearance as listed in the Environment Impact Assessment Notification, MoEF, 2006 and various amendments	Provides the screening criteria of the project as per the EIA notification 2006
Annex E–3	Comparative Assessment of Environmental Safeguard Process, Procedures and Practices	Provides a detailed comparison of Environmental Safeguard Procedures of the World Bank, Asian Development Bank, JBIC, KfW Development Bank and GOI
Annex E–4	Safeguard Requirements of the DFIs for Projects having significant Environmental Impacts	Provides the safeguard requirements of the DFIs for the projects having Environmental Impacts
Annex E–5	Prohibited Investment Activities List of the DFIs	Provides the list of various prohibited investment activities of the DFIs
Annex E–6	Checklists of Documents that should be Submitted by Lead Banks/Sub- borrowers (SPVs) to IIFCL for Loan Application.	Provides checklist of documents that need to be submitted by the lead banks / sub- borrowers to IIFCL to facilitate environmental due-diligence on the project
Annex E–7	Summary of Key E&S Legislations in India	Lists the various environmental social legislation in India that need to be referred to / complied with while undertaking environmental and social due-diligence on projects
Annex E–8	Environmental Rules and Notifications Relevant to Infrastructure Projects	Provides the list and brief description of environment rules and notification relevant to Infrastructure projects in India
Annex E–9	Environmental Regulations and Obligations, and Areas of Applicability at Project Sites	Provides environmental regulations, their applicability at project site and the obligation of project proponent under the legislation.
Annex E–10	Prohibited Activities in CRZ (Coastal Regulation Zone Notification, 2011)	Provides various clauses of coastal regulation zone notification 1990 amended in 2001
Annex E–11	EIA / SIA Review Checklist	Provides a checklist of information that should be examined while reviewing the Environmental Impact Assessment studies.
Annex E–12	Outline for an Environmental Impact Assessment Report for a category A subproject funded by DFI	Provides outline for EIA report for subprojects
Annex E-13	Checklist of Documentation Required For Preparation of ESDDR Under Takeout Finance Scheme	Provides checklist of documents that need to be submitted by the sub-borrowers to IIFCL to facilitate environmental and social due-diligence on the project
Annex E–14	Suggested Outline of Environmental Due Diligence Report for Subprojects	Provides outline for environmental DDRs for subprojects
Annex E–15	Suggested Scope for Periodic Environmental and Social Monitoring Report for Subprojects to be submitted	Provides scope for an periodic environmental and social monitoring report for subprojects to be submitted by project

Annex No.	Title of the Annex	Remarks	
	by Borrowers	proponent	
Annex E–16	Audit Recording Sheet to report Implementation of Environmental Safeguard Systems at IIFCL (the form will continue for the project life)	Provides the key milestones for which the environmental audit observations will be recorded as a part of annual audit by IIFCL	
Annex E-17	Outline for Periodic Environmental and Social Performance Report for Subprojects	Provides for outline for periodic environmental and social performance report for subprojects	
Annex E–18	TOR For Detailed Environmental Impact Assessment of High Impact Category Highway Sub-Projects	Provides terms of reference for environmental impact assessment of highway projects that constitute a significant part of IIFCL's portfolio of projects.	
Annex E–19	Public Consultation Process Defined by MoEF's EIA Notification, 2006 and various amendments	Provides the salient features of public hearing to be conducted for EIA clearance.	
Annex E–20	Public Consultation and Information Disclosure Mechanism as per MoEF's EIA Notification, 2006 and various amendments	Provides the detail mechanism for public consultation and disclosure mechanism as per the EIA notification 2006	
Annex E–21	Guidance on Incorporating the EMP into Contract Documents (in the case of Highway projects)	Provides guideline for inclusion of EMP specifications in the contractor's agreement.	

DFI = development financial institution, DDR = due diligence report, E&S = environmental and social, ESDDR = environmental and social due diligence report, IIFCL = India Infrastructure Finance Company Limited, JBIC = Japan Bank for International Cooperation, KfW = Kreditstalt für Wiederaufbau, MoEF = Ministry of Environment and Forest, SIA = Social Impact Assessment, TOR = terms of reference.

ANNEX E-1: OVERVIEW OF THE ENVIRONMENT IMPACT ASSESSMENT PROCESS OF GOVERNMENT OF INDIA

A. Environment Impact Assessment (EIA) as a Planning and Management Tool

1. The EIA system is being implemented both as planning, management, and as regulatory tool. To be effective as a planning and management tool, the EIA system should be implemented at the earliest possible stage of project development. It allows the cost of mitigating and positive impact enhancement measures to be incorporated in the total cost analysis. The environmental objectives are made part of the project objective. This is an improvement over that of the old way of looking at the overall cost of the project where environmental costs are not included. The EIA as a planning and management tool is best used by the project proponent. The internalization of the environment and Forests (MoEF) using the EIA as a regulatory tool will impose conditions such that the cost of environmental protection will be borne by the project proponent.

1. EIA as a Regulatory Tool

2. After the project is subjected to an EIA and the application for clearance is submitted and approved, MoEF issues an environmental clearance (EC). The EC normally lists down a set of conditions for it to be valid. These conditions stipulate under what conditions will the project operate and clearance granted. In this way, the MoEF is able to regulate the operations of all environmentally critical projects and projects within environmentally critical areas.

2. Operational Framework of the EIA System

- 3. The EIA process in India is made up of the following phases:
 - (i) screening
 - (ii) scoping and consideration of alternatives
 - (iii) baseline data collection
 - (iv) impact prediction
 - (v) assessment of alternatives, delineation of mitigation measures, and environmental impact statement
 - (vi) public hearing
 - (vii) environment management plan
 - (viii) decision making
 - (ix) monitoring the clearance conditions
- 4. Each of these phases is explained below.

5. **Screening.** Screening is carried out to see whether a project requires EC as per the statutory notifications. Screening criteria¹ are based upon:

- (i) scales of impact;
- (ii) severity of impact; and

¹ EIA Notification dated 14 September 2006 and further amendments.

(iii) location of development.²

6. All projects and activities are broadly categorized into two categories—category A and category B, based on the spatial extent of potential impacts and potential impacts on human health and natural and man-made resources.

7. In case of category B projects or activities, this stage will entail the scrutiny of an application seeking prior EC by the concerned SEAC for determining whether or not the project or activity requires further environmental studies for preparation of an EIA for its appraisal prior to the grant of EC depending upon the nature and location specificity of the project. The projects requiring an EIA report shall be termed category B1 and the remaining projects shall be termed category B2 and will not require an EIA report. For categorization of projects into B1 or B2 except item 8 (b), the MoEF shall issue appropriate guidelines from time to time (Annex E-3).

8. A Project requires statutory EC only if the provisions of EIA notification and/or one or more statutory notification mentioned in Table SAG.1 cover it.

Table 1: Siting Criteria Delineated by MOEF

	Table 1: Siting Criteria Delineated by MOEF			
1.	As far as possible, prime agricultural land/forest land may not be converted into an industrial site.			
2.	Land acquired should be at a minimum but sufficient to provide for a green belt wherein the treated wastewater, if possible/suitable, could be utilized from wastewater treatment systems.			
3.	Enough space may be provided for storing solid wastes. The space and the waste can be made available for possible reuse in future.			
4.	Layout and form of the project must conform to the landscape of the area without unduly affecting the scenic features of that place.			
5.	Associated township of the project, if any, to be created must provide for space for phyto-graphic barrier between the project and the township and should take into account predominant wind direction.			
6.	Coastal Areas: at least 1/2 kilometer (km) from the high tide line (within 0.5 km of high tide line, specified activities as per coastal regulation zones notification, 1991 are permitted. The high tide line is to be delineated by the authorized agency only).			
7.	Estuaries: At least 200 meters from the estuary boundaries.			
8.	Flood Plains of the Riverine systems: at least 500 meters from flood plain or modified flood plain or by flood control systems.			
9.	Transport/Communication System: at least 500 meters from highway and railway.			
10.	Major Settlements (with populations of 300,000) at least 25 km from the projected growth boundary of the settlement.			

9. The EIA notification also makes prior EC mandatory for all new projects listed in the schedule, expansion, or modernization of existing projects or activities listed in the schedule, and any change in the product mix in an existing manufacturing units included in the schedule beyond the specified limit. The prior EC granted for a project or activity shall be valid for a

² The site of a project (e.g., in ecologically sensitive areas) is an important factor which decides whether an EC is required. Ecologically sensitive areas include coastal areas (protected by the CRZ Notification), forests (protected by the Forest Conservation Act), various areas notified by MoEF as Ecologically Sensitive Zones (ESZs) areas from, for example, Doon valley, Dahanu taluka, etc.) to wetlands, deserts, national parks, sanctuaries, corals, etc. (which are not protected by any specific Notification). In case of industries, the Environmental Guidelines for Siting of Industry (framed in 1985) and the Environment (Siting for Industrial Projects) Rules, 1999 (presently in draft form) have to be complied.

period of 10 years in the case of river valley projects (item 1(c) of the schedule), project life as estimated by EAC or SEAC subject to a maximum of 30 years for mining projects and 5 years in the case of all other projects and activities. However, in the case of area development projects and townships [item 8(b)], the validity period shall be limited only to such activities as may be the responsibility of the applicant as a developer. This period of validity may be extended by the regulatory authority concerned by a maximum period of 5 years provided an application is made to the regulatory authority by the applicant within the validity period. To obtain this, the project proponent has to furnish information in an environmental appraisal questionnaire issued by MoEF.

10. **Scoping.** Scoping³ is a process of detailing the terms of reference of EIA. It refers to the process by which the EAC/SEAC4 determine detailed and comprehensive terms of reference (TOR) addressing all relevant environmental concerns for the preparation of an EIA report with respect to the project or activity for which prior EC is sought.

11. The MoEF has published guidelines for different sectors which outline the significant issues to be addressed in the EIA studies. Quantifiable impacts are to be assessed on the basis of magnitude, prevalence, frequency and duration, and non-quantifiable impacts (such as aesthetic or recreational value), significance is commonly determined through the socioeconomic criteria. After the areas where the project could have significant impact are identified, the baseline status of these should be monitored and then the likely changes in these on account of the construction and operation of the proposed project should be predicted.

12. **Baseline data.** Baseline data describes the existing environmental status of the identified study area. The site-specific primary data should be monitored for the identified parameters and supplemented by secondary data if available.

13. **Impact prediction.** Impact prediction is a way of "mapping" the environmental consequences of the significant aspects of the project and its alternatives. Environmental impact can never be predicted with absolute certainty and this is all the more reason to consider all possible factors and take all possible precautions for reducing the degree of uncertainty.

Impacts	Parameters			
Air	 changes in ambient levels and ground level concentrations due to total emissions from point, line and area sources effects on soils, materials, vegetation, and human health 			
Noise	 changes in ambient levels due to noise generated from equipment and movement of vehicles effect on fauna and human health 			
Water	 availability to competing users changes in quality sediment transport ingress of saline water 			

14. The impacts that should be assessed have been shown in the following table (Table 2).

³ All projects and activities listed as category B in Item 8(a) of the Schedule (construction/township/commercial complexes/housing) shall not require scoping and will be appraised on the basis of Form 1/ Form 1A and the conceptual plan and EIA report will be required for projects listed under 8(b).

⁴ The composition of the EAC will be as given in the EC notification dated 14 September 2006. The SEAC at the state or the union territory level shall be constituted by the central government in consultation with the concerned state government or the union territory administration with identical composition.

Impacts	Parameters			
Land	 changes in land use and drainage pattern 			
	 changes in land quality including effects of waste disposal 			
	 changes in shoreline/riverbank and their stability 			
Biological	deforestation tree-cutting and shrinkage of animal habitat.			
	 impact on fauna and flora (including aquatic species if any) due contaminants/pollutants 			
	 impact on rare and endangered species, endemic species, and migratory path/route of animals. 			
	 impact on breeding and nesting grounds 			
Socio-	impact on the local community including demographic changes.			
Economic	impact on economic status			
	impact on human health.			
	impact of increased traffic			

3. Assessment of Alternatives, Delineation of Mitigation Measures and EIA Report

15. For every project, possible alternatives should be identified and environmental attributes compared. Alternatives should cover both project location and process technologies. Alternatives should consider "no project" option also. Alternatives should then be ranked for selection of the best environmental option for optimum economic benefits to the community at large.

16. Once alternatives have been reviewed, a mitigation plan should be drawn up for the selected option and is supplemented with an Environmental Management Plan (EMP) to guide the proponent towards environmental improvements. The EMP is a crucial input to monitoring the clearance conditions and therefore details of monitoring should be included in the EMP.

17. An EIA report should provide clear information to the decision-maker on the different environmental scenarios without the project, with the project and with project alternatives. Uncertainties should be clearly reflected in the EIA report.

(i) Public Consultation⁵

18. Law requires that the locally affected persons and other stakeholders must be informed and consulted on a proposed development with a view to taking into account all the material concerns in the project or activity design as appropriate.

19. Any one likely to be affected by the proposed project is entitled to have access to the executive summary of the EIA. The affected persons may include:

(i) bonafide local residents,

⁵ The following categories of projects/activities are exempt from public consultation as notified by EC notification dated 14 September 2006: (i) modernization of irrigation projects (item 1(c) (ii) of the schedule); (ii) all projects or activities located within industrial estates or parks (item 7(c) of the schedule) approved by the concerned authorities, and which are not disallowed in such approvals; (iii) expansion of roads and highways (item 7 (f) of the schedule) which do not involve any further acquisition of land; (iv) maintenance dredging provided the dredged material shall be disposed within port limits; (v) all building or construction projects or area development projects (which do not contain any category A projects and activities; and (e) all projects or activities concerning national defense and security or involving other strategic considerations as determined by the central government.

- (ii) local associations,
- (iii) environmental groups active in the area, and
- (iv) any other person located at the project site / sites of displacement.

20. They are to be given an opportunity to make oral/written suggestions to the SPCB/regulatory agency.

(ii) Decision Making

21. The regulatory authority shall consider the recommendations of the EAC or SEAC concerned and convey its decision to the applicant in the stipulated time from the receipt of the recommendations of the EAC or SEAC concerned or in other words, within 105 days of the receipt of the final EIA report, and where EIA is not required, within 105 days of the receipt of the complete application with requisite documents.

22. The decision on EC is arrived at through a number of steps including evaluation of EIA and EMP.

4. Monitoring the Clearance Conditions

23. It is mandatory for the project management to submit semi-annually, compliance reports with respect to the stipulated prior EC terms and conditions in hard and soft copies to the regulatory authority concerned, on 1st June and 1st December of each calendar year.

24. All such compliance reports submitted by the project management shall be public documents. Copies of the same shall be given to any person on application to the concerned regulatory authority. The latest such compliance report shall also be displayed on the website of the concerned regulatory authority. Monitoring will enable the regulatory agency to review the validity of predictions and the conditions of implementation of the EMP.

5. EIA Review

25. All project proposals requiring EA may be examined according to the following review process.

26. Appraisal is the detailed scrutiny by the EAC or SEAC of the application and other documents like the final EIA report, outcome of the public consultations including public hearing proceedings submitted by the applicant to the regulatory authority concerned for grant of EC. This appraisal shall be made by EAC or SEAC concerned in a transparent manner in a proceeding to which the applicant shall be invited for furnishing necessary clarifications in person or through an authorized representative. On conclusion of this proceeding, the EAC or SEAC concerned shall make categorical recommendations to the regulatory authority concerned either for grant of prior EC on stipulated terms and conditions, or rejection of the application for prior EC, together with reasons for the same.

27. The appraisal of all projects or activities which are not required to undergo public consultation or submit an EIA report, shall be carried out on the basis of the prescribed application form 1 and form 1A as applicable, any other relevant validated information available and the site visit wherever the same is considered as necessary by the EAC or SEAC concerned.

Table 3: The Impact Assessment Agency

The Impact Assessment Agency (IAA) is the Union Ministry of Environment and Forests (MoEF). EIA reports submitted along with the application for clearance are evaluated and assessed by the IAA, and if deemed necessary, it may consult a Committee of Experts.

Role of the IAA:

- the IAA will evaluate and assess the EIA report. In this process, the project proponent will be given a chance to present his proposal (where a proponent is required to obtain environmental clearance).
- (ii) the IAA will also prepare a set of recommendations and conditions for its implementation based on this assessment (if a project is accepted).
- (iii) the IAA will also be responsible for the environmental monitoring process (during the implementation and operation of the project).

Earlier, the 1994 EIA Notification made it mandatory for the IAA, i.e., MoEF to consult a Committee of Experts before granting environmental clearance to a particular project. However, in its present amended form, the notification states that the IAA may consult the Committee of experts if deemed necessary. The new notification also leaves it to the discretion of the IAA to make complaint reports publicly available, "subject to public interest." Thus, the recent amendments are resulting in the dilution of the law on EIAs.

A draft memorandum suggesting changes to the environmental clearance procedures in India following the EIA Notification of 2006 recommends the creation of an autonomous and decentralized EIA Authority under the Union Government that has environment clearance granting powers.

As per this draft memorandum, an EIA Authority (EIAA) shall replace the MoEF/SEIA structure specified by MoEF's September 2006 EIA Notification. This EIAA shall be an autonomous body with the same powers as the Election Commission with concomitant accountability to discharge their duties with due diligence and within timeframes defined by the EPA Act/ Rules, in particular, regarding taking decisions on proposed projects/ facilities. It will have a decentralized structure similar to that of the SEIAAs in the MoEF September 2006 EIA Notification. The link ministry for the EIAA shall be MoEF.

6. Clearance of Projects

28. The following projects or activities require prior EC from the concerned regulatory authority, which shall hereinafter referred to be as the central government in the MoEF for matters falling under category⁶ A in the schedule⁷ (Annex E-2) and at state level, the SEIAA⁸ for matters falling under category B in the said schedule, before any construction work or preparation of land by the project management except for securing the land, is started on the project or activity:

⁶ All projects and activities are broadly categorized in to two categories–category A and category B, based on the spatial extent of potential impacts and potential impacts on human health and natural and man made resources.

⁷ EC notification dated 14 September 2006.

⁸ A state level EIA authority hereinafter referred to as the SECA shall be constituted by the central government under sub-section (3) of section 3 of the Environment (Protection) Act, 1986 comprising of three members including a chairman and a member–secretary to be nominated by the state government or the union territory administration concerned.

- (i) all new projects or activities listed in the schedule to this notification;
- (ii) expansion and modernization of existing projects or activities listed in the schedule to this notification with addition of capacity beyond the limits specified for the concerned sector, that is, projects or activities which cross the threshold limits given in the schedule, after expansion or modernization; and
- (iii) any change in product mix in an existing manufacturing unit included in schedule beyond the specified range.

7. Follow up and Monitoring Activities

29. It shall be mandatory for the project management to submit semi-annually, compliance reports with respect to the stipulated prior EC terms and conditions in hard and soft copies to the regulatory authority concerned, on 1st June and 1st December of each calendar year.

30. In respect of category A projects, it shall be mandatory for the project proponent to make public the environmental clearance granted for their project along with the environmental conditions and safeguards at their cost by prominently advertising it at least in two local newspapers of the district or state where the project is located and in addition, this shall also be displayed in the project proponent's website permanently.

31. In respect of category B projects, irrespective of its clearance by MoEF/SEIAA, the project proponent shall prominently advertise in the newspapers indicating that the project has been accorded environment clearance and the details of MoEF website where it is displayed.

32. The MoEF and the state or UT Environmental Impact Assessment Authorities (SEIAAs), as the case may be, shall also place the environmental clearance in the public domain on government portal.

33. The copies of the environment clearance shall be submitted by the project proponents to the heads of local bodies, Panchayats and municipal bodies in addition to the relevant offices of the government who in turn has to display the same for 30 days from the date of receipt. Further, copies of the environmental clearance shall be endorsed to the heads of local bodies, Panchayats and Municipal Bodies in addition to the relevant offices of the government.

34. All such compliance reports submitted by the project management shall be public documents. Copies of the same shall be given to any person on application to the concerned regulatory authority. The latest such compliance report shall also be displayed on the website of the concerned regulatory authority.

8. Penalty

35. Concealing factual data or submission of false, misleading data/reports, decisions or recommendations would lead to the project being rejected. Approval, if granted earlier on the basis of false data, would also be revoked. Misleading and wrong information will cover the following:

- (i) false information,
- (ii) false data,
- (iii) engineered reports,
- (iv) concealing of factual data, or
- (v) false recommendations or decisions.

ANNEX E-2: SPECIFIED REQUIREMENTS FOR ENVIRONMENTAL CLEARANCE AS LISTED IN THE ENVIRONMENT IMPACT ASSESSMENT NOTIFICATION, MoEF, 2006 AND FURTHER AMENDMENTS (IN JANUARY 2009, DECEMBER 2009, APRIL 2011, AND JANUARY 2012)

1. The following projects or activities shall require prior environmental clearance from the concerned regulatory authority, i.e. the central government in the MoEF for matters falling under category A in the schedule (see below) and at state level the State Environment Impact Assessment Authority (SEIAA) for matters falling under category B in the schedule, before any construction work, or preparation of land by the project management except for securing the land, is started on the project or activity:

- (i) all new projects or activities listed in the Schedule to the notification;
- (ii) expansion and modernization of existing projects or activities listed in the schedule to the notification with addition of capacity beyond the limits specified for the concerned sector, that is, projects or activities which cross the threshold limits given in the Schedule, after expansion or modernization due to change in process and or technology; and
- (iii) any change in product-mix in an existing manufacturing unit included in the schedule beyond the specified range.

Project or Activity		Category with	threshold limit	Conditions if any	
		Α	В		
		Mining, extraction of natural resources and power generation			
			(for a specified production ca		
(1)	(2)	(3)	(4)	(5)	
1a	(i) Mining of minerals (ii) Slurry Pipelines(coal lignite and other ores)	 ≥ 50 ha. of mining lease area in respect of non-coal mine lease ≥ 150 ha. of mining lease area in respect of coal mine lease Asbestos mining irrespective of mining area All projects 	<50 ha> 5 ha of mining lease area in respect of non-coal mine lease < 150 ha. > 5 ha of mining lease area in respect of coal mine lease	General condition shall apply Note: (i) Prior environmental clearance is as well required at the stage of renewal of mine lease for which application should be made up to one year prior to date of renewal. (ii) Mineral prospecting is exempted.	
1b	passing through national parks/sanctuaries/cor al reefs, ecologically sensitive areas Offshore and onshore oil and gas exploration,	All projects		Note: Exploration surveys (not involving drilling)	

Schedule–List of Projects/Activities Requiring Environmental Clearance Project or Activity Category with threshold limit Conditions if any

l	Project or Activity	Category with	threshold limit	Conditions if any
		Α	В	
		•	of natural resources a specified production of	
(1)	(2)	(3)	(4)	(5)
	development and production			are exempted provided the concession areas have got previous clearance for physical survey
1c	River valley projects	 (i) ≥ 50 MW hydroelectric power generation; (ii) ≥ 10,000 ha. of culturable command area 	 (i) < 50 MW ≥25 MW hydroelectric power generation; (ii) < 10,000 ha. of culturable command area 	General condition shall apply Note: Irrigation projects not involving submergence or inter-state domain shall be appraised by the SEIAA as category "B" projects.
1d	Thermal power plants	_> 500 MW (coal/lignite/naphtha and gas based); _> 50 MW (pet coke diesel and all other fuels including refinery residual oil waste except biomass); _ >20 MW (based on biomass or nonhazardous municipal solid waste as fuel)	< 500 MW (coal/lignite/naphtha ha and gas based); <50 MW > 5MW (pet coke ,diesel and all other fuels including refinery residual oil waste except biomass) <20MW>15MW (based on biomass or non-hazardous municipal solid waste as fuel)	General condition shall apply Note: (i) Power plants up to 15MW based on biomass and using auxiliary fuel such as coal/ lignite/ petroleum products up to 15% are exempted. (ii) Power plants up to 15MW based on non- hazardous municipal solid waste and using auxiliary fuel such as coal/lignite/petroleum products up to 15% are exempted. (iii) Power plants using waste heat boiler without any auxiliary fuel are exempted.
1e	Nuclear power projects and processing of nuclear	All projects		tuel are exempted.
	fuel			
2	Primary processing	1		
2a	Coal washeries	≥1 million ton/annum throughput of coal	<1million ton/annum throughput of coal	General condition shall apply (if located within mining area the proposal shall be appraised together with the mining proposal)

F	Project or Activity	Category with	threshold limit	Conditions if any
		Α	В	
			of natural resources a	
	(0)		specified production of	
(1)	(2)	(3)	(4)	(5)
2b 3	Mineral beneficiation	≥0.1million ton/annum mineral throughput	< 0.1million ton/annum mineral throughput	General condition shall apply (mining proposal with mineral beneficiation shall be appraised together for grant of clearance)
3a	Metallurgical	(i) Primary	Sponge iron	General condition shall
	industries (ferrous and non-ferrous)	metallurgical industry	manufacturing <200TPD	apply Note:
		All projects (ii) Sponge iron	Secondary metallurgical processing industry	(i) The recycling industrial units registered under
		manufacturing <u>></u> 200TPD	(i) All toxic	the HSM rules, are exempted.
			and heavy metal	(ii) In case of
		(iii) Secondary	producing units	secondary
		metallurgical processing industry	<20,000 tonnes /annum	metallurgical processing industrial units, those projects
24		All toxic and heavy metal producing units ≥20,000 tonnes /annum	(ii) All other non-toxic secondary metallurgical processing industries>5,000 tonnes/annum	involving operation of furnaces, only such as induction and electric arc furnace, submerged arc furnace and cupola with capacity more than 30,000 tonnes per annum (TPA) would require environmental clearance. Plant/units other than power plants (given against entry no. 1(d) of the schedule), based on municipal solid waste (non-hazardous) are exempted.
3b	Cement plants	> 1.0 million tonnes/annum production capacity	<1.0 million tonnes/annum production capacity. All stand-alone grinding units	General condition shall apply
4	Materials processing		-	
4a	Petroleum refining industry	All projects		
4b	Coke oven plants	≥2,50,000 tonnes/annum	<2,50,000 and <u>></u> 25,000 tonnes/annum	General conditions shall apply

	Project or Activity	Category with	threshold limit	Conditions if any
		A	B	
			of natural resources a specified production of	
(1)	(2)	(3)	(4)	(5)
4c	Asbestos milling and asbestos based products	All projects		
4d	Chlor-alkali industry	≥300 TPD production capacity or a unit located outside the notified industrial area/estate	(i) All project irrespective of size, if it is located in a notified industrial area/estate; (ii) <300 tonnes per day (TPD) if located outside a notified industrial area/estate	General as well as specific conditions shall apply No new mercury cell based plants will be permitted and existing units converting to membrane cell technology are exempted from this notification
4e	Soda ash Industry	All projects		
4f	Leather/skin/hide processing industry	New projects outside the industrial area or expansion of existing units outside the industrial area	All new or expansion of projects located within a notified industrial area/estate	General as well as specific conditions shall apply
5	Manufacturing/fabricatio	n		•
5a	Chemical fertilizers	All projects except single super phosphates	single super phosphates	
5b	Pesticides industry and pesticide specific intermediates (excluding formulations)	All units producing technical grade pesticides		
5c	Petro-chemical complexes (industries based on processing of petroleum fractions and natural gas and/or reforming to aromatics)	All projects		
5d	Manmade fibres manufacturing	Rayon	Others	General condition shall apply
5e	Petrochemical based processing (processes other than cracking and reformation and not covered under the complexes)	Located outside the notified industrial area/estate	Located in a notified industrial area/estate	General as well as specific conditions shall apply
5f	Synthetic organic chemicals industry (dyes and dye intermediates; bulk	Located outside the notified industrial area/estate	Located in a notified industrial area/estate	General as well as specific conditions shall apply

	Project or Activity	Category with	threshold limit	Conditions if any
		Α	В	
			of natural resources a	
(1)	(2)	(10) (3)	specified production ((4)	capacity) (5)
(1)	drugs and	(3)	(4)	(3)
	intermediates			
	excluding drug			
	formulations;			
	synthetic rubbers;			
	basic organic			
	chemicals, other			
	synthetic organic			
	chemicals and			
	chemical			
5g	intermediates) Distilleries	(i) All molasses	All cane juice/non-	General condition shall
Jy	Distilleries	based distilleries	molasses-based	apply
			distilleries	арріу
		(ii) All cane juice/	<30 KLD	
		non-molasses based		
		distilleries <u>></u> 30 KLD		
5h	Integrated paint		All projects	General condition shall
	industry		-	Apply
5i	Pulp and paper	Pulp manufacturing	Paper manufacturing	General condition shall
	industry excluding manufacturing of	and pulp and paper manufacturing	industry without pulp manufacturing	apply
	paper from waste	industry	manufacturing	
	paper and	lindustry		
	manufacture of paper			
	from ready pulp			
	without bleaching			
5j	Sugar industry		<u>></u> 5000 TCD cane	General condition shall
-			crushing capacity	apply
6	Service sectors	All		
6a	Oil and gas	All projects		
	transportation pipe line (crude and			
	refinery/petrochemical			
	products), passing			
	through national			
	parks/sanctuaries/			
	coral reefs/ecologically			
	sensitive areas			
01	including LNG terminal			
6b	Isolated storage and		All projects	General condition shall
	handling of hazardous chemicals (as per			apply
	threshold planning			
	quantity indicated			
	in column 3 of			
	schedule 2 and 3 of			
	MSIHC Rules 1989			
	amended 2000)			
7	Physical infrastructure in	ncluding environmental	services	

F	Project or Activity	Category with	threshold limit	Conditions if any
		A	B	
			of natural resources a specified production of	
(1)	(2)	(3)	(4)	(5)
7a	Air ports	All projects including air strips which are for commercial use.		Note: air strips, which do not involve bunkering/refueling facility and or air traffic control, are exempted.
7b	All ship breaking yards including ship breaking units	All projects		
7c	Industrial estates/parks/ complexes/areas, export processing zones (EPZs), special economic zones (SEZs), biotech parks, leather complexes	If at least one industry in the proposed industrial estate falls under the category A, entire industrial area shall be treated as category A, irrespective of the area. Industrial estates with area greater than 500 ha. and housing at least one category B industry.	Industrial estates housing at least one category B industry and area <500 ha. Industrial estates of area>500 ha. and not housing any industry belonging to category A or B.	General as well as special conditions shall apply Note: (i) Industrial estate of area below 500 ha. and not housing any industry of category A or B does not require clearance. (ii) If the area is less than 500 ha but contains building and construction projects >20,000 sq.mtr. and or development area more than 50 ha, it will be treated as activity as listed at serial no. 8(a) or 8(b) in the schedule as the case may be.
7d	Common hazardous waste treatment, storage and disposal facilities (TSDFs)	All integrated facilities having incineration and landfill or incineration alone	All facilities having landfill only	General condition shall apply
7e	Ports , harbours, breakwaters, and dredging	≥5 million TPA of cargo handling capacity (excluding fishing harbours)	< 5 million TPA of cargo handling capacity and/or ports/ harbours ≥10,000 TPA of fish handling capacity	General condition shall Apply Note: (i) Capital dredging inside and outside the ports or harbors and channels are included. (ii) Maintenance dredging is exempt provided it formed part of the original proposal for which Environment Management Plan

F	Project or Activity	Category with	threshold limit	Conditions if any	
	, ,	A	В		
		Mining, extraction of natural resources and power generation			
(1) (2)		(10r a)	specified production (4)	(5)	
	(2)			(EMP) was prepared and environmental clearance obtained.	
7f	Highways	 (i) new national highways, and (ii) expansion of national highways greater than 30 km, involving additional right of way greater than 20m involving land acquisition and passing through more than one state. 	 (i) all new state highways projects, and (ii) state highways expansion projects in hilly terrain (above 1000m AMSL) and or ecologically sensitive areas. 	General condition shall Apply Note: highways include expressways	
7g	Aerial ropeways	(i) all projects located at altitude of 1000m and above, and (ii) all projects located in notified ecologically sensitive areas.	All projects except those covered in column 3.	General condition shall apply	
7h	Common Effluent Treatment Plants (CETPs)		All projects	General condition shall apply	
7i	Common Municipal Solid Waste Management Facility (CMSWMF)		All projects	General condition shall apply	
8.	Construction/Township/	Commercial Complexes	/Housing		
8a	Building and construction projects		≥50000 sq. m. and <1,50,000 sq. m. of built-up area	The built up or covered area on all the floors put together including basement(s) and other service areas, which are proposed in the building/construction projects.	
8b	Townships and area development projects		Covering an area \geq 100 ha and / or built up area \geq 1,50,000 sq. m.++	++All projects under Item 8(b) shall be appraised as category B1	

Notes:

General Condition (GC):

Provided that the requirement regarding distance of 10 km of the inter-state boundaries can be reduced or completely done away with by an agreement between the respective states or UTs sharing the common boundary in case the

Any project or activity specified in category B will be treated as category A, if located in whole or in part within 10 km from the boundary of: (i) protected areas notified under the Wild Life (Protection) Act, 1972; (ii) critically polluted areas as notified by the Central Pollution Control Board from time-to-time; (iii) eco-sensitive areas as notified under section 3 of the Environment (Protection) Act, 1986, such as Mahabaleshwar, Panchgani, Matheran, Pachmarhi Dahanu, Doon Valley, and, (iv) inter-State boundaries and international boundaries.

activity does not fall within 10 km of the areas mentioned at item (i), (ii) and (iii) above.

Specific Condition (SC):

If any industrial estate/complex/export processing zone/ special economic zone/biotech park/leather complex with homogeneous type of industries such as Items 4(d), 4(f), 5(e), 5(f), or those Industrial estates with pre-defined set of activities (not necessarily homogeneous), obtains prior environmental clearance, individual industries including proposed industrial housing within such estates/complexes will not be required to take prior environmental clearance, so long as the terms and conditions for the industrial estate/complex are complied with. Such estates/complexes must have a clearly identified management with the legal responsibility of ensuring adherence to the terms and conditions of prior environmental clearance, and must indicate the authority to be held responsible for violation of the same throughout the life of the complex/estate.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
Purpose	To evaluate potential environmental risks and impacts in a projects' area of influence, project alternatives, ways of improving project selection, siting, planning, design, and implementation by preventing, minimizing, or compensating of adverse environmental impacts and enhancing positive impacts.	To analyze, manage, and plan to address environmental impacts of development policies, strategies, programs, and projects.	To ensure that environmental and social aspects are considered in all projects supported by JBIC and appropriate measures are taken to prevent negative impacts and improve positive impacts.	Aims to ensure KfW development financed projects are appropriately analyzed and results of these analyses are taken into account during project preparation and decision making, implementation, and operation.	 The objective of EIA is to foresee and address potential environmental problems/concerns at an early stage of project planning and design. EIA/EMP should assist planners and government authorities in the decision making process by identifying the key impacts/issues and formulating mitigation measures.
Topics/scope	Natural environment, human health and safety, social aspects, trans- boundary, and global environmental aspects.	Physical and biological environment, and social, health, and economic conditions.	Natural environment, human health (including occupational health), quality of life, cultural assets, and related social aspects in particular, involuntary resettlement.	Natural environment, human health, and safety and social issues.	 Physical and biological environment and social, health, and economic conditions.¹ The impacts that should be assessed include air, noise, land, water, biological and socio-

ANNEX E- 3: COMPARATIVE ASSESSMENT OF ENVIRONMENTAL SAFEGUARD PROCESS, PROCEDURES, AND PRACTICES

¹ EIA Notification, 2006 (MoEF, GOI). Available at: http://envfor.nic.in/legis/eia/so1533.pdf.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
					economic.
Project requiring EIA	Any project with potential to cause significant adverse impacts that are sensitive, diverse, or unprecedented. Affect broad areas and cannot easily be predicted, prevented, or mitigated.	Any project with potential cause significant adverse environmental impacts.	Any project with potential to cause significant adverse impacts that are sensitive, diverse, or unprecedented. Affect broad areas and cannot easily be predicted, prevented, or mitigated.		These projects are well defined in EIA Notification (2006) as Schedule I. Criteria such as project type, size, and location are considered in stipulating EIA requirements.
Legal requirements/ standards applied	Must comply with national and World Bank standards and take account of national and international obligations and commitments.	National and/or World Bank standards (whichever are the most stringent) must be met. Alternative standards must be fully justified.	Environmental laws and standards of the host national and local government as well as their environmental policies and plans.	National standards of the host country must be met. If these are lacking or considered inadequate, other international standards e.g., from WB, European Union, and Germany shall be used. Emission (ambient value) standards are primarily guiding. Emission standards are used complementarily.	 Standards at national level are issued by Central Pollution Control Board (CPCB). These standards are generally at par (and in cases even stricter) than the international standards. Standards can be made stricter by State Pollution Control Board based on location specific considerations.
General responsibilities	Borrower is responsible for ensuring that all EA activities are carried out in accordance with national and World Bank requirements. Borrower is also responsible for	• Borrower is responsible for doing the EA in accordance with national and ADB's EA requirements. The borrower is also responsible for	 Project proponent/ borrower is responsible for ensuring that environmental considerations, in accordance with 	 Project proponent is responsible for carrying out national and KfW Development Bank EA requirements and presenting 	Responsibilities for preparing EIA are with the project proponent. MoEF and state departments of environment have responsibility finalizing

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	 ensuring that the EMP is fully implemented and reported. Bank will review and agree screening category with borrower, review TOR of EIA studies, review EIA report and EMP, and require borrower to submit monitoring reports to Bank showing compliance with national and World Bank standards. World Bank will also carry out review missions to ensure compliance with EMP. 	 implementing the recommendations of the EA. The ADB will screen the project and is responsible for ensuring that the EA report meets the ADB's requirements and provides a sound basis for project processing and implementation. ADB will monitor implementation of agreed environmental mitigation measures by borrower. 	 national, local, and JBIC requirements are undertaken and reported to JBIC. They are also responsible for reporting to JBIC how environmental and social considerations are being monitored and managed during project implementation. JBIC will screen the project, disclose environmental impact information to the public via its website, review the environmental and social impacts when making its decision to approve funding and will monitor/to follow up after a decision on funding has been made. 	 such information to KfW Development Bank. They must also monitor and report to KfW Development Bank environmental issues during project implementation and operation as agreed to in contractual obligations. KfW Development Bank will screen and categorize all projects, review the environmental assessment work carried out and monitor implementation of contractual conditions. 	TOR, review, and take a decision on EC.
Timing	EA should be initiated as early as possible" in the project cycle. Note that category A EA reports must be received at least 60 days before Board approval is due (and in some cases 120 days	EA activities begin as soon as potential projects for ADB financing are identified. EA studies are carried out simultaneously with pre- feasibility and feasibility studies. EA activities	Environmental and social considerations should be examined at the "earliest possible stage" in project planning.	Screening occurs "at an early stage" in project preparation. For financial cooperation projects/programs (including FI projects), KfW	Timing of EIA is concurrent to project development.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	before).	should also continue throughout the project cycle, not a one-off report.		Development Bank explicitly requires that EIA should be seen as an integral part of the project design procedure and should influence the project from its preparation through to its conclusion.	
Screening			•		
Screening process	Each proposed project is screened to determine appropriate extent and type of EA. Projects are classified into one to four categories depending on type, location, sensitivity, and scale of project, and nature and magnitude of its environmental impacts. For dam and reservoir projects, the borrower must engage independent expert/s whose qualifications and TOR are acceptable to the bank,	Each proposed project is scrutinized as to its type, location, the sensitivity, scale, nature, and magnitude of potential environmental impacts and the availability of cost-effective mitigation measures.	Each proposed project is screened to determine appropriate extent and type of EA. Projects are classified into one to four categories depending on type, location, sensitivity, and scale of project, and nature and magnitude of its environmental impacts. For dam and reservoir projects, the borrower must engage independent expert/s whose qualifications and TOR are acceptable to	Screening is carried out by KfW based on information provided by project proponent. All projects are screened based on an OECD list of projects for which major impacts can be expected (depending on type of project, resources that will be used/affected and area to be affected)	Screening is done to see whether a project requires EC as per the statutory notifications. Screening criteria ² are based upon: (i) scales of impact, (ii) severity of impact, and (iii) location of development. ³

 ² In the EIA Notification dated 14th September 2006.
 ³ The site of a project (e.g. in ecologically sensitive areas) is an important factor which decides whether an EC is required. Ecologically sensitive areas include coastal areas (protected by the CRZ Notification), forests (protected by the Forest Conservation Act), various areas notified by MOEF as Ecologically Sensitive Zones (ESZs) areas from, for example, Doon valley, Dahanu taluka, etc.) to wetlands, deserts, national parks, sanctuaries, corals, etc. (which are not protected by any specific notification). In case of industries, the Environmental Guidelines for Siting of Industry (framed in 1985) and the Environment (Siting for Industrial Projects) Rules, 1999 (presently in draft form) have to be complied.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	review the project BEFORE screening.		the bank, review the project BEFORE screening.	and activities where KfW support is prohibited as well as opinion of internal experts.	
Screening tools	Guidance is given on screening, area considered sensitive, etc.	 Environmental Screening Checklist Rapid Environment Assessment (REA) Checklists. Guidance is available to help classify/screen projects in the EA guidelines. 	Guidance is given on screening, area considered sensitive, etc.	Above mentioned OECD list of project sensitivities and actions considered unacceptable on environmental grounds and expert opinions.	Checklist and maps are used as screening tools
Categories	 A: Likely to have significant adverse impacts that are sensitive, diverse, or unprecedented and may affect a broad area. B: Potential impacts are less adverse than for category A, they are site specific, few if any are irreversible and in most cases, mitigatory measures can be designed more readily than for category A projects. C: Minimal or no 	 A: Potential to have significant adverse environmental impacts. B: Some environmental impact but less significant than category A. C: Unlikely to have adverse environmental impacts FI: Involve investment through an FI. Financial intermediary must apply an environmental management system 	 A: Likely to have significant adverse impacts that are sensitive, diverse, or unprecedented and may affect a broad area. B: Potential impacts are less adverse than for category A, they are site specific, few if any are irreversible and in most cases, mitigatory measures can be designed more readily than for category A projects. 	Programmatic approach: screening either results in projects that are environmentally relevant (i.e., further investigation needed or projects are rejected with this concept) or are environmentally irrelevant (no or insignificant environmental impacts are expected and no	All projects and activities are broadly categorized in to two categories–category A and category B, based on the spatial extent of potential impacts and potential impacts on human health and natural and man-made resources.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	adverse environmental impacts. • FI: May result in adverse environmental impacts financed through a financial intermediary.	unless all subprojects will result in insignificant impacts. Categorization can be changed if necessary.	 C: Minimal or no adverse environmental impacts. FI: May result in adverse environmental impacts financed through a financial intermediary. 	 particular protective, supervisory, and/or compensatory measures are required). There is no formal categorization for screening. Categorization takes place after appraisal according to future action needed during implementation and operation (such action comprise measures of mitigation, monitoring, or compensation) 	
Overriding criterion for categorization	Multiple component projects are categorized according to the component with potentially most serious adverse effects. Dual categories are not used.	EA category is determined by the category of its most environmentally sensitive components including direct and indirect impacts.	EA requirements apply to the whole project, not just the parts financed by FC funds e.g., rehabilitation or expansion of existing facilities.	Multiple component projects are categorized according to the component with potentially most serious adverse effects. Dual categories are not	Not addressed nor applicable in EC

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
				used.	
EA activities as a result of screening	 A: Requires detailed assessment of impacts. B: Requires less detailed assessment than category A. C: Screening is required and decision recorded. FI: FI must carry out EA Procedures in accordance with OP 4.01. If subprojects are of category A or B type, FI must demonstrate to the Bank its commitment and capability to carrying out necessary Environmental Safeguard work. 	 A: Requires EIA B: Requires Initial Environmental Examination (IEE) and if necessary an EIA thereafter C: No EA required but environmental implications must be reviewed and recorded. FI: must apply an environmental management system acceptable to ADB to ensure environmental aspects of projects are adequately considered. 	 A: Requires detailed assessment of impacts. B: Require less detailed assessment than category A. C: Screening is required and decision recorded. FI: FI must carry out EA Procedures in accordance with OP 4.01. If subprojects are of category A or B type, FI must demonstrate to the Bank its commitment and capability to carrying out necessary environmental safeguard work. 	EA study is required only for those screened as "environmentally relevant." "Irrelevant" projects must check/monitor whether environmentally relevant changes occur during implementation and operation.	
EA TOR and Methodolog				1	
Responsibilities for TOR preparation and review	 For category A projects, a field visit by an environmental specialist should be carried out to prepare the scope, procedures, schedule, and outline for the EA study. Project affected 	For category A project, an initial fact finding mission by the project preparation team (ADB) should include review of screening category and preparation of necessary TOR for the EIA study.	No specifications are given on who prepares the TOR for an EA study or whether JBIC checks and approves this.	Responsibility for preparation of TORs for EIA studies rests with the project proponent but they must be agreed with KfW (this same rule is applied for the	All project proposals requiring EA may be examined according to the following review process: (i) Appraisal is the detailed scrutiny by

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	 persons and local NGOs should be consulted before the TOR is finalized. For all other projects, borrower must discuss and agree EIA scope and TOR with the bank. World Bank will help in drafting TOR as necessary. 	For both category A and B projects, TOR must be discussed and agreed with the National Environment Agency and the borrower. Project affected persons and local NGOs must also be consulted about the TOR and their views/concerns reflected before the TOR is approved by the ADB.		TOR of feasibility studies). Specific guidance is given on how TORs should be prepared in the Environmental Handbook of MBZ Vol. 1, section 0.	the EAC or SEAC of the application and other documents like the final EIA report, outcome of the public consultations including public hearing proceedings, submitted by the applicant to the regulatory authority concerned for grant of EC. This appraisal shall be made by EAC or SEAC concerned in a transparent manner in a proceeding to which the applicant shall be invited for furnishing necessary clarifications in person or through an authorized representative. On conclusion of this proceeding, the EAC or SEAC concerned shall make categorical recommendations to the regulatory authority concerned either for grant of prior EC on stipulated terms and

EA Process, Procedure, and		Asian Development		KfW Development	
Practices	World Bank	Bank	JBIC	Bank	GOI EIA/EC System
Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System conditions, or rejection of the application for prior EC, together with reasons for the same. (ii) The appraisal of all projects or activities which are not required to undergo public consultation, or submit an Environment Impact Assessment report, shall be carried out on the basis of the prescribed application form 1 and form 1A as applicable, any other relevant validated information available and the
					site visit wherever the same is
					considered as
					necessary by the EAC or SEAC
					concerned.
Tools and methods to be	Advice on pollution	Some guidance on the	Generic guidance is	Guidance on tools,	 Scoping⁴ is a

⁴ All projects and activities listed as category B in Item 8 of the schedule (construction/township/commercial complexes/housing) shall not require scoping and will be

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
used	abatement measures, guidance on impact etc. are provided in World Bank Pollution Abatement Handbook and Environment Assessment Sourcebook (and updates).	approach to completing EA studies is provided in the ADB's Environmental Assessment Guidelines. ADB follows standards and approach laid down in the World Bank's Pollution Abatement Handbook.	given on the underlying principles which should be adopted in preparing EA studies. Analyses of environmental impacts must for example include an analysis of costs and benefits in as quantitative terms as possible.	methods, and standards are provided in BMZ's Environmental Handbook. Reference is also made to the World Bank's Industrial Pollution Abatement Handbook and the OECD DAC Guideline for Environment and Aid No, 1 (on EIA).	 process of detailing the terms of reference of EIA. It refers to the process by which the EAC/SEAC⁵ determine detailed and comprehensive TOR addressing all relevant environmental concerns for the preparation of an EIA report with respect to the project or activity for which prior EC is sought. The MoEF has published guidelines for different sectors, which outline the significant issues to be addressed in the EIA studies.
Standards applied	 Emissions and environmental quality standards as per Pollution Abatement Handbook and/or national standards whichever are the most 	Emissions and environmental quality standards as per World Bank Pollution Abatement Handbook and/or national standards whichever are the most stringent.	Environmental standards of host national and local governments and also standards and/or good practice from international and regional organizations	National and local environmental standards of the partner/recipient country. Where specific standards are not developed or	National standards as stipulated by CPCB. These standards can be tightened by SPCBs depending on the sensitivity of the location.

appraised on the basis of form 1/ form 1A and the conceptual plan. ⁵ The composition of the EAC will be as given in the EC Notification dt. 14th September 2006. The SEAC at the State or the Union territory level shall be constituted by the Central Government in consultation with the concerned State Government or the Union territory Administration with identical composition

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	 stringent. Alternative standards may be proposed but their application must be fully justified. 	Alternative standards may be proposed but their application must be fully justified.	and Japan as benchmarks. Any deviation from these must be fully justified.	are deemed inappropriate, other international standards (European Union, Germany, World Bank) should be applied. Guidance on standards is given in Volume 3 of BMZ's Environmental Handbook.	
EA Documentation					
Contents	Detailed guidance on contents of category A EA reports. Should include chapters on: (i) Executive summary (ii) Policy, legal, and administrative framework (iii) Project description (iv) Baseline data (v) Environmental impacts (vi) Analysis of alternatives (vii) Environmental Management Plan (including mitigation measures) (viii) Appendices	Guidance on contents of category A and B reports. category A EIA report should contain: (i) Project description (ii) Description of the environment (iii) Anticipated environmental impacts and mitigation measures (iv) Alternatives (v) Economic assessment (vi) Environmental Management Plan including Institutional requirements and monitoring programs (vii) Public consultation and disclosure (viii) Conclusion	JBIC suggests that the following contents for a category A EIA report is desirable: (i) Executive summary (ii) Policy, legal, and administrative framework (iii) Project description (iv) Baseline data (v) Environmental impacts (vi) Analysis of alternatives (vii) Environmental Management Plan (viii) Record of consultation	No report formats are prescribed for EA studies or EMPs although a master format is recommended in the Environmental Handbook, Vol. 1, Section 0. However, there is a specific format required for the project appraisal report which KfW Development Bank must submit to the German Government. This requires the following information: (i) Description of the project area	Contents of the report defined by MoEF and maintained on its website. The contents are equivalent to those of MDBs

EA Process, Procedure, and		Asian Development		KfW Development	
Procedure, and Practices	World Bank	Bank	JBIC	Bank	GOI EIA/EC System
		(ix) Category B IEE report (except projects deemed environmentally sensitive) should contain the same as category A but with less detail, limited consideration of alternatives and description of institutional arrangements and environmental monitoring plan rather than an EMP.		 (environmental/ ecological situation and legal context) (ii) Project description (of relevance to environment) (iii) Identification and assessment of environmental impacts and a description of mitigation, monitoring, and compensation measures. (iv) Summary on whether project is acceptable and classification of project based on impacts predicted in the EIA study 	
Responsibilities for preparation	Borrower is responsible for carrying out the EA. For category A projects, independent EA experts not affiliated with the project should be retained.	 Borrower is responsible for preparing the EIA reports for category A and IEE report for category B projects. Borrower must also prepare EIA (SEIA) or summary IEE (SIEE) 	The borrower or related parties must complete EIA reports for category A projects.	The project proponent/ investor is responsible for preparing EIA documentation for local/national approval of the project/activity. However, KfW Development Bank	Responsibility of preparation of EIA is with the project proponent

EA Process, Procedure, and		Asian Development		KfW Development	
Practices	World Bank	Bank	JBIC	Bank	GOI EIA/EC System
Deeneneikilitiee fee	All EA studies are first	reports highlighting the main findings of the EIA and IEE Reports.		will provide professional advice to its partner country on environmental issues and financial assistance (similar approach as for feasibility studies).	MoEF and state
Responsibilities for review	reviewed by borrower and	The executing agency and ADB review the draft	For category A and B projects, JBIC carries out	Projects/ investment activity must receive	departments of
Teview	accepted by borrower and accepted by them. For category A projects of highly risky or contentious nature, borrower should also engage an advisory panel of independent, internationally recognized specialists. The bank then reviews the findings and recommendations of the EA to determine whether they provide an adequate basis for decision-making. If a borrower has already prepared EA studies prior to the bank's involvement, the bank will review this work for consistency against OP 4.01. If necessary, the bank may then require additional work including consultation and disclosure.	EIA or IEE report to ensure that it meets ADB requirements and provides sound basis for project processing and implementation. Consistent with the environmental requirements of the borrowing country, the national environmental agency and project executing agency must clear the EA and summary reports before EIA, IEE, and summary reports (SEIA and SIEE) are submitted to the bank for disclosure. The views of the national environmental agency, the ADB, project executing agency and affected groups and local NGOs on the draft EIA should be incorporated	 an environmental review to ensure that its procedures have been complied with. (i) For category A: Borrowers and related parties must submit their locally approved EIA report to JBIC for review plus any other relevant reports (e.g., resettlement plans etc.). JBIC uses a sector checklist tool to review these documents and the project. (ii) For category B: similar checklist approach is used based on available information about the project—this may include EIA studies but is not a 	formal environmental approval as required under national legal systems in the recipient country before KfW can approve the loan/investment. During implementation and operation, KfW together with the project sponsor and relevant host country ministries will review the environmental aspects of the project and determine whether impacts have been sufficiently minimized.	environment have responsibility for review. Review is carried out by appointing multi- disciplinary and multi- institutional representatives consisting research/academia, environmental NGOs, planners and administrators.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
Language	EA reports submitted to the bank must be in English, French, or Spanish and the executive summary in English. For disclosure purposes, summaries must also be prepared in the local language of project affected persons/local NGOs.	 before formal submission on the bank for disclosure. For category A projects, the borrower must translate the SEIA into the local language. No other specifications are given on language 	mandatory requirement. (iii) For category C: no environment review is required beyond screening. (iv) For category FI: JBIC will review the FI to check whether appropriate environmental and social considerations required by JBIC are ensured for projects. For category A projects, EIA reports must be written in official language or language widely used in the country where the project is implemented. When explaining projects to local residents, written materials must be provided in a language and form understandable to them.	No mention is made about language of environmental safeguard activities.	English and summary in local language(s) during public hearing
Impact Mitigation Principles of mitigation	Preventative measures are	No detail is given on	Priority is given to	No detail is given on	For every project,
	favored over mitigatory or compensation measures.	preferred mitigation hierarchy.	impact, prevention, and where this is not possible, minimization and reduction of impacts must be considered	preferred mitigation hierarchy. In principle, integrated approaches-where possible are	possible alternatives should be identified and environmental attributes compared. Alternatives should

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
			next. Compensation should be considered a last resort.	preferred. Generally, the precautionary principle is the overarching concept.	cover both project location and process technologies. Alternatives should consider "no project" option also. Alternatives should then be ranked for selection of the best environmental option for optimum economic benefits to the community at large.
Environmental Management Plan	Integral part of the EA study. Should be prepared as part of category A EA study. Category B projects, EA may result in an EMP only. Consists of full set of mitigation, monitoring, and institutional measures to be taken during implementation and operation of the project.	EMPs must be prepared for category A and environmentally sensitive category B projects. Must outline specific mitigation measures, environmental monitoring requirements, and related institutional arrangements including budget requirements. Detailed guidance is provided on contents.	Environmental Management Plans and Monitoring Plans must be developed where appropriate (and are required for category A projects) and should include the costs of implementing such plans and financial funds and methods to be used to do this. Illustrative guidance is given on what should be monitored.	No specific mention is made to an EMP and its format, as necessary measures for appropriate mitigation, monitoring and compensation must be included in any EIA study as a standard element.	 Once alternatives have been reviewed, a mitigation plan should be drawn up for the selected option and is supplemented with an EMP to guide the proponent towards environmental improvements. The EMP would consist of all mitigation measures for each item wise activity to be undertaken during the construction, operation and the entire life cycle to minimize adverse environmental

EA Process, Procedure, and		Asian Development		KfW Development	
Practices	World Bank	Bank	JBIC	Bank	GOI EIA/EC System impacts as a result of the activities of the project. It would also delineate the environmental monitoring plan for compliance of various environmental regulations. It will state the steps to be taken in case of emergency such as accidents at the site including fire.
Consultation and Disclos		David and the lite		Very little energifie	Des isse that the
Public consultation requirements	Borrower must consult with project affected groups and local NGOs about the project's aspects and take their views into account for all category A and B projects. For category A projects, consultation must happen at least twice: (i) Shortly after screening and before TOR for EA study reports is prepared. The borrower must also consult with these groups during	 Borrower must consult with project affected groups and local NGOs for all category A and B projects. Must be carried out as early as possible in the project cycle so that views are taken into account in project design and mitigation measures. Consultation should continue into project implementation to identify and help address environmental 	 For category A projects, stakeholders such as local residents must be consulted during preparation of EIA after sufficient information has been disclosed to them. Consultations must be recorded. Consultation should also continue if necessary throughout preparation and 	Very little specific information regarding public consultation is explicitly provided. However, KfW Development Bank does require that information for and the interest of people affected (e.g., as represented by local NGOs, municipalities, or cooperatives) must be include in the	 Requires that the locally affected persons and other stakeholders must be informed and consulted on a proposed development with a view to taking into account all the material concerns in the project or activity design as appropriate.
	these groups during project implementation. (ii) During EA review by the Bank, special attention is paid to the	address environmental issues that arise.Category A projects,	preparation and implementation of the project.	be include in the planning and decision-making process where possible e.g.,	 Any one likely to be affected by the proposed project is entitled to have

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	nature of consultations and the extent to which views of affected persons and local NGOs have been taken into account.	 consultation must occur at least twice: (i) during early stage of EIA field work (the TOR for the EIA study should be disclosed to and discussed with affected groups/local NGOs), and (ii) when draft EIA report is available and before the loan is appraised. The public consultation process must be described in the EIA and IEE reports. If an EIA report has been completed before ADB involvement, ADB will review the public consultation and disclosure carried out. If it does not meet ADB requirements, the borrower must carry out supplemental activities which will then be reported in revised EA reports and submitted to the bank. 	 JBIC considers it highly desirable to engage stakeholders twice: during scoping of the EIA and when the draft report is being prepared. Where indigenous people may be affected adversely, efforts must be made to obtain the consent of such peoples after they have been fully informed. JBIC may seek the opinion of concerned organizations and stakeholders when reviewing projects. 	through public participation or hearings.	 access to the executive summary of the EIA. The affected persons may include: bonafide local residents; local associations; environmental groups: active in the area; and any other person located at the project site / sites of displacement They are to be given an opportunity to make oral/written suggestions to the SPCB/regulatory agency.
Information disclosure requirements	 To enable meaningful consultation, the borrower must provide project-affected groups 	 To facilitate meaningful consultation with project affected groups and local NGOs, the 	JBIC will disclose information as follows: (i) On completion of screening, the	No explicit requirement for information disclosure is given as all information for	An EIA report should provide clear information to the decision-maker on the different environmental

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	 and local NGOs on all category A and B projects (proposed for IBRD and IDA financing) relevant material in a timely manner in a form and language understandable and accessible to groups consulted. For category A projects and any separate category B report, the borrower must provide an initial summary of project activities and potential impacts for consultation before EA preparation and a summary of EA conclusions on completion of the drat EA. In addition, draft EA report must be made available at a public place accessible to project affected groups and local NGOs. The Bank will not consider appraisal of the project until this has been done. 	 borrower must provide information on the project's environmental issues in a form and language(s) accessible to those being consulted. For category A EIA studies, the TOR for such studies must be disclosed to affected persons and local NGOs and their views and concerns sought before the TOR is finalized. On completion of the EIA and IEE reports, the borrower must submit summary reports (SEIA and SIEE) to the bank for public disclosure via a depository library system and on the ADB website. The full EIA or IEE are also made available to interested parties on request. For all category A projects and category B projects deemed 	 project name, country, location, an outline and sector of project, its screening category and reasons for this classification. (ii) For category A and B projects, status of major documents on environmental and social considerations by borrowers related parties e.g., EIA reports and environmental permit certificates. EIA reports will be made available. (iii) Result of environmental reviews of project after executing the loan agreement (provided on JBIC website). (iv) For Category A projects, the Borrower or project proponent must ensure that written materials used to explain the project to 	an in the appraisal report to the responsible German Federal Ministry (BMZ) has to be kept confidential.	scenarios without the project, with the project and with project alternatives. Uncertainties should be clearly reflected in the EIA report. ⁶

⁶ The structure of the EIA report has been provided in the annexure to the EIA Notification (Appendix III). Available at: <u>http://envfor.nic.in/legis/eia/so1533.pdf</u>

EA Process,					
Procedure, and		Asian Development		KfW Development	
Practices	World Bank	Bank	JBIC	Bank	GOI EIA/EC System
	World Bank requires that the EIA be disclosed prior to the project appraisal mission and for a minimum of 60 days (category A) or 30 days (category B) prior to the date of board approval. Note that for projects that have potentially significant environmental impacts, the World Bank may require that the EIA or a summary thereof be submitted to the US Executive Director 120 days prior to board approval.	environmentally sensitive, the SEIA or SIEE must be disclosed to the public for 120 days before ADB's Board of Directors considers the loan or before approval of significant change in scope of project or subprojects.	local residents are provided in a language and form understandable to them. EIA reports must then be made available in the country and to the local residents where the project is to be implemented. They must be available at all times for perusal by project stakeholders and copying must be permitted. It is also desirable that project proponent make monitoring results available to		
			project stakeholders.		
Implementation and Mor					
Responsibilities ensuring implementation of EMP	The Borrower must report to the Bank on: (i) compliance with measures agreed with the bank based on findings of the EA including implementation of the EMP (ii) status of mitigatory measures (iii) findings of monitoring plans	For category A and all environmentally sensitive category B projects, the borrower must submit semi-annual reports on the implementation of EMPs as required in the loan agreement. ADB will conduct an annual review mission of environmental aspects of the project.	 Project proponent is responsible for implementing environmental and social considerations for the project. JBIC in principles confirms through the borrower that the project proponent is undertaking commitments 	 The project proponent/ investor is responsible for delivering regular project progress reports and implementing any recommendations for environmental protection and monitoring 	 It is mandatory for the project management to submit half-yearly compliance reports with respect to the stipulated prior EC terms and conditions in hard and soft copies to the regulatory authority concerned, on 1

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
	The bank supervises the borrower to ensure that procurement arrangements are consistent with the environmental requirements set out in projects legal agreements. The bank will carry out supervision missions incorporating suitable environmental expertise.		 associated with environmental and social consideration for category A and B projects. The information necessary for monitoring by JBIC needs to be supplied by the borrower and related parties by appropriate means. If JBIC judges that there is a need for improvement in the situation with respect to environmental and social considerations, it may ask the project proponent, through the borrower, to take appropriate action in accordance with the loan agreement. The project proponent is requested to monitor: (i) whether any situations that were previously unforeseen arise (ii) to check the implementation and effectiveness of mitigation measures. It is 	 outlined in the EIA report and loan agreement. KfW Development Bank will agree specific actions to be taken which will be incorporated in contract documentation. KfW Development Bank will monitor the implementation of such commitments receiving above mentioned monitoring reports or any other agreed means. In principle, the implementation of a Resettlement Action Plan (RAP) has to be completed before the start of construction. 	June and 1 December of each calendar year. • All such compliance reports submitted by the project management shall be public documents. Copies of the same shall be given to any person on application to the concerned regulatory authority. The latest such compliance report shall also be displayed on the web site of the concerned regulatory authority. • Monitoring will enable the regulatory agency to review the validity of predictions and the conditions of implementation of the EMP.

EA Process, Procedure, and Practices	World Bank	Asian Development Bank	JBIC	KfW Development Bank	GOI EIA/EC System
			desirable that such results are made available to stakeholders.		

ANNEX E-4: SAFEGUARD REQUIREMENTS OF THE DFIS FOR PROJECTS HAVING SIGNIFICANT ENVIRONMENTAL IMPACTS

A. Introduction

1. Safeguard requirements hereunder outlines the requirements that borrowers/clients are required to meet when delivering environmental safeguards for projects¹ supported by the development financial institutions (DFIs) (see footnote below)². It discusses the objectives and scope of application, and underscores the requirements for undertaking the environmental assessment process. These requirements include assessing impacts, planning and managing impact mitigations, preparing environmental assessment reports, disclosing information and undertaking consultation, establishing a grievance mechanism, and monitoring and reporting. The document also includes particular environmental safeguard requirements pertaining to biodiversity conservation and sustainable management of natural resources, pollution prevention and abatement, occupational and community health and safety, and conservation of physical cultural resources. The applicability of particular requirements is established through the environmental assessment process and compliance with the requirements is achieved through implementation of environmental management plans agreed to by DFIs and the borrower/client.

B. Objectives

2. The objectives are to ensure the environmental soundness and sustainability of projects, and to support the integration of environmental considerations into the project decision-making process.

C. Scope of Application

3. The requirements apply to all DFI-financed and/or DFI-administered sovereign and nonsovereign projects, and their components regardless of the source of financing, including investment projects funded by a loan; and/or a grant; and/or other means, such as equity and/or guarantees (hereafter broadly referred to as projects).

D. Requirements

1. Environmental Assessment

4. Environmental assessment is a generic term used to describe a process of environmental analysis and planning to address the environmental impacts and risks associated with a project. At an early stage of project preparation, the borrower/client will identify potential direct, indirect, cumulative, and induced environmental impacts on and risks to physical, biological, socioeconomic, and physical cultural resources and determine their significance and scope, in consultation with stakeholders, including affected persons and concerned nongovernment organizations (NGOs). If potentially adverse environmental impacts and risks are identified, the borrower/client will undertake an environmental assessment as early as possible in the project cycle. For projects with potentially significant adverse impacts that are

¹ In this attachment, the term "projects" refers to "subprojects", and the term "borrower/client" refers to "lead bank or subproject proponent".

² The safeguard requirements outlined here pertain to Asian Development Bank's. Annex E-4 was derived from Appendix 1 to the ADB Safeguard Policy Statement (2009). Other DFIs may also have similar requirements.

diverse, irreversible, or unprecedented, the borrower/client will examine alternatives to the project's location, design, technology, and components that would avoid, and, if avoidance is not possible, minimize adverse environmental impacts and risks. The rationale for selecting the particular project location, design, technology, and components will be properly documented, including, cost-benefit analysis, taking environmental costs and benefits of the various alternatives considered into account. The "no project" alternative will be also considered.

5. The assessment process will be based on current information, including an accurate project description, and appropriate environmental and social baseline data. The environmental assessment will consider all potential impacts and risks of the project on physical, biological, socioeconomic (occupational health and safety, community health and safety, vulnerable groups and gender issues), and impacts on livelihoods through environmental media and physical cultural resources in an integrated way. The project's potential environmental impacts and risks will be reviewed against the requirements presented in this document and applicable laws and regulations of the jurisdictions in which the project operates that pertain to environmental matters, including host country obligations under international law.

6. Impacts and risks will be analyzed in the context of the project's area of influence. This area of influence encompasses (i) the primary project site(s) and related facilities that the borrower/client (including its contractors) develops or controls, such as power transmission corridors, pipelines, canals, tunnels, access roads, borrow pits and disposal areas, and construction camps; (ii) associated facilities that are not funded as part of the project (funding may be provided separately by the borrower/client or by third parties), and whose viability and existence depend exclusively on the project and whose goods or services are essential for successful operation of the project; (iii) areas and communities potentially affected by cumulative impacts from further planned development of the project, other sources of similar impacts in the geographical area, any existing project or condition, and other project-related developments that are realistically defined at the time the assessment is undertaken; and (iv) areas and communities potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location. The area of influence does not include potential impacts that might occur without the project or independently of the project. Environmental impacts and risks will also be analyzed for all relevant stages of the project cycle, including preconstruction, construction, operations, decommissioning, and post closure activities such as rehabilitation or restoration.

7. The assessment will identify potential transboundary effects, such as air pollution, increased use or contamination of international waterways, as well as global impacts, such as emission of greenhouse gases and impacts on endangered species and habitats.

8. The environmental assessment will examine whether particular individuals and groups may be differentially or disproportionately affected by the project's potential adverse environmental impacts because of their disadvantaged or vulnerable status, in particular, the poor, women and children, and Indigenous Peoples. Where such individuals or groups are identified, the environmental assessment will recommend targeted and differentiated measures so that adverse environmental impacts do not fall disproportionately on them.

9. Depending on the significance of project impacts and risks, the assessment may comprise a full-scale environmental impact assessment (EIA) for category A projects, an initial environmental examination (IEE) or equivalent process for category B projects, or a desk review. An EIA report includes the following major elements: (i) executive summary, (ii) description of the project, (iii) description of the environment (with comprehensive baseline

data), (iv) anticipated environmental impacts and mitigation measures, (v) analysis of alternatives, (vi) environmental management plan(s), (vii) consultation and information disclosure, and (viii) conclusion and recommendations. An IEE, with its narrower scope, may be conducted for projects with limited impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

10. When the project involves existing activities or facilities, relevant external experts will perform environmental audits to determine the existence of any areas where the project may cause or is causing environmental risks or impacts. If the project does not foresee any new major expansion, the audit constitutes the environmental assessment for the project. A typical environmental audit report includes the following major elements: (i) executive summary; (ii) facilities description, including both past and current activities; (iii) summary of national, local, and any other applicable environmental laws, regulations, and standards; (iv) audit and site investigation procedure; (v) findings and areas of concern; and (vi) corrective action plan that provides the appropriate corrective actions for each area of concern, including costs and schedule.

2. Environmental Planning and Management

11. The borrower/client will prepare an environmental management plan (EMP) that addresses the potential impacts and risks identified by the environmental assessment. The EMP will include the proposed mitigation measures, environmental monitoring and reporting requirements, emergency response procedures, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Where impacts and risks cannot be avoided or prevented, mitigation measures and actions will be identified so that the project is designed, constructed, and operated in compliance with applicable laws and regulations and meets the requirements specified in this document. The level of detail and complexity of the environmental planning documents and the priority of the identified measures and actions will be commensurate with the project's impacts and risks. Key considerations include mitigation of potential adverse impacts to the level of "no significant harm to third parties", the polluter pays principle, the precautionary approach, and adaptive management.

12. If some residual impacts are likely to remain significant after mitigation, the EMP will also include appropriate compensatory measures (offset) that aim to ensure that the project does not cause significant net degradation to the environment. Such measures may relate, for instance, to conservation of habitat and biodiversity, preservation of ambient conditions, and greenhouse gas emissions. Monetary compensation in lieu of offset is acceptable in exceptional circumstances, provided that the compensation is used to provide environmental benefits of the same nature and is commensurate with the project's residual impact.

13. The EMP will define expected outcomes as measurable events to the extent possible and will include performance indicators or targets that can be tracked over defined periods. It will be responsive to changes in project design, such as a major change in project location or route, or in technology, unforeseen events, and monitoring results.

14. At times, a third party's involvement will influence implementation of the EMP. A third party may be, inter alia, a government agency, a contractor, or an operator of an associated facility. When the third-party risk is high and the borrower/client has control or influence over the actions and behavior of the third party, the borrower/client will collaborate with the third party to achieve the outcome consistent with the requirements for the borrower/client. Specific actions

will be determined on a case-by-case basis.

15. The borrower/client will use qualified and experienced experts to prepare the environmental assessment and the EMP. For highly complex and sensitive projects, independent advisory panels of experts not affiliated with the project will be used during project preparation and implementation.

3. Information Disclosure

16. The borrower/client will submit to ADB through IIFCL a draft full EIA (including the draft EMP) or compliance audit report including a corrective action plan at least 120 days prior to IIFCL Board consideration, for disclosure on ADB's website:

17. The borrower/client will provide relevant environmental information, including information from the EIA/EMP or compliance audit report including a corrective action plan in a timely manner, in an accessible place and in a form and language(s) understandable to affected persons and other stakeholders. For illiterate people, other suitable communication methods will be used.

4. Consultation and Participation

18. The borrower/client will carry out meaningful consultation with affected persons and other concerned stakeholders, including civil society, and facilitate their informed participation. Meaningful consultation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle;³ (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected persons; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected persons and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues. Consultation will be carried out in a manner commensurate with the impacts on affected communities. The consultation process and its results are to be documented and reflected in the environmental assessment report.

5. Grievance Redress Mechanism

19. The borrower/client will establish a mechanism to receive and facilitate resolution of affected persons' concerns, complaints, and grievances about the project's environmental performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project. It should address affected persons' concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected persons at no costs and without retribution. The mechanism should not impede access to the country's judicial or administrative remedies. The affected persons will be appropriately informed about the mechanism.

6. Monitoring and Reporting

³ For environment category A projects, such consultations will necessarily include consultations at the early stage of EIA field work and when the draft EIA report is available during project preparation, and before project appraisal.

20. The borrower/client will monitor and measure the progress of implementation of the EMP. The extent of monitoring activities will be commensurate with the project's risks and impacts. In addition to recording information to track performance, the borrower/client will undertake inspections to verify compliance with the EMP and progress toward the expected outcomes. For projects likely to have significant adverse environmental impacts, the borrower/client will retain qualified and experienced external experts or qualified NGOs to verify its monitoring information. The borrower/client will document monitoring results, identify the necessary corrective actions, and reflect them in a corrective action plan. The borrower/client will implement these corrective actions and follow up on these actions to ensure their effectiveness.

21. The borrower/client will prepare periodic monitoring reports that describe progress with implementation of the EMP and compliance issues and corrective actions, if any. The borrower/client will submit at least semiannual monitoring reports during construction for projects likely to have significant adverse environmental impacts, and quarterly monitoring reports for highly complex and sensitive projects. For projects likely to have significant adverse environmental impacts during operation, reporting will continue at the minimum on an annual basis. Such periodic reports will be posted in a location accessible to the public. Project budgets will reflect the costs of monitoring and reporting requirements.

7. Unanticipated Environmental Impacts

22. Where unanticipated environmental impacts become apparent during project implementation, the borrower/client will update the environmental assessment and EMP or prepare a new environmental assessment and EMP to assess the potential impacts, evaluate the alternatives, and outline mitigation measures and resources to address those impacts.

8. Biodiversity Conservation and Sustainable Natural Resource Management

23. The borrower/client will assess the significance of project impacts and risks on biodiversity⁴ and natural resources as an integral part of the environmental assessment process specified in paras 4–10. The assessment will focus on the major threats to biodiversity, which include destruction of habitat and introduction of invasive alien species, and on the use of natural resources in an unsustainable manner. The borrower/client will need to identify measures to avoid, minimize, or mitigate potentially adverse impacts and risks and, as a last resort, propose compensatory measures, such as biodiversity offsets, to achieve no net loss or a net gain of the affected biodiversity.

a. Modified Habitats

24. In areas of modified habitat, where the natural habitat has apparently been altered, often through the introduction of alien species of plants and animals, such as in agricultural areas, the borrower/client will exercise care to minimize any further conversion or degradation of such habitat, and will, depending on the nature and scale of the project, identify opportunities to enhance habitat and protect and conserve biodiversity as part of project operations.

b. Natural Habitats

⁴ The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

25. In areas of natural habitat,⁵ the project will not significantly convert or degrade⁶ such habitat, unless the following conditions are met:

- (i) No alternatives are available.
- (ii) A comprehensive analysis demonstrates that the overall benefits from the project will substantially outweigh the project costs, including environmental costs.
- (iii) Any conversion or degradation is appropriately mitigated.

26. Mitigation measures will be designed to achieve at least no net loss of biodiversity. They may include a combination of actions, such as post project restoration of habitats, offset of losses through the creation or effective conservation of ecologically comparable areas that are managed for biodiversity while respecting the ongoing use of such biodiversity by Indigenous Peoples or traditional communities, and compensation to direct users of biodiversity.

c. Critical Habitats

27. No project activity will be implemented in areas of critical habitat⁷ unless the following requirements are met:

- (i) There are no measurable adverse impacts, or likelihood of such, on the critical habitat which could impair its high biodiversity value or the ability to function.
- (ii) The project is not anticipated to lead to a reduction in the population of any recognized endangered or critically endangered species⁸ or a loss in area of the habitat concerned such that the persistence of a viable and representative host ecosystem be compromised.
- (iii) Any lesser impacts are mitigated in accordance with para. 27.

28. When the project involves activities in a critical habitat, the borrower/client will retain qualified and experienced external experts to assist in conducting the assessment.

d. Legally Protected Areas

29. In circumstances where some project activities are located within a legally protected

⁵ Land and water areas where the biological communities are formed largely by native plant and animal species, and where human activity has not essentially modified the area's primary ecological functions.

⁶ Significant conversion or degradation is (i) the elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (ii) the modification of a habitat that substantially reduces the habitat's ability to maintain viable populations of its native species. Significant conversion may include, for example, land clearing; replacement of natural vegetation (for example, by crops or tree plantations); permanent flooding (by a reservoir for instance); drainage, dredging, filling, or canalization of wetlands; or surface mining.

⁷ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value, including habitat required for the survival of critically endangered or endangered species; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or that are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic, or cultural importance to local communities. Critical habitats include those areas either legally protected or officially proposed for protection, such as areas that meet the criteria of the Word Conservation Union classification, the Ramsar List of Wetlands of International Importance, and the United Nations Educational, Scientific, and Cultural Organization's world natural heritage sites.

⁸ As defined by the Word Conservation Union's Red List of Threatened Species or as defined in any national legislation.

area, in addition to the requirement specified in para. 28, the borrower/client will meet the following requirements:

- (i) Act in a manner consistent with defined protected area management plans.
- (ii) Consult protected area sponsors and managers, local communities, and other key stakeholders on the proposed project.
- (iii) Implement additional programs, as appropriate, to promote and enhance the conservation aims of the protected area.

e. Invasive Alien Species

30. The borrower/client will not intentionally introduce any new alien species (that is, species not currently established in the country or region of the project) unless carried out in accordance with the existing regulatory framework for such introduction, if such a framework is present, or unless the introduction is subject to a risk assessment (as part of the environmental assessment) to determine the potential for invasive behavior. Under no circumstances must species known to be invasive be introduced into new environments. The borrower/client will undertake assessment of the possibility of accidental or unintended introduction of such invasive alien species and identify measures to minimize the potential for release.

f. Management and Use of Renewable Natural Resources

31. Renewable natural resources will be managed in a sustainable manner. Sustainable resource management is management of the use, development, and protection of resources in a way, or at a rate, that enables people and communities, including Indigenous Peoples, to provide for their current social, economic, and cultural well-being while also sustaining the potential of those resources to meet the reasonably foreseeable needs of future generations. This includes safeguarding the life-supporting capacity of air, water, and soil ecosystems. Where possible, the borrower/client will demonstrate the sustainable management of resources through an appropriate system of independent certification.

9. Pollution Prevention and Abatement

32. During the design, construction, and operation of the project the borrower/client will apply pollution prevention and control technologies and practices consistent with international good practice, as reflected in internationally recognized standards such as the World Bank Group's *Environment, Health and Safety Guidelines.*⁹ These standards contain performance levels and measures that are normally acceptable and applicable to projects. When host country regulations differ from these levels and measures, the borrower/client will achieve whichever is more stringent. If less stringent levels or measures are appropriate in view of specific project circumstances, the borrower/client will provide full and detailed justification for any proposed alternatives that are consistent with the requirements presented in this document.

a. Pollution Prevention, Resource Conservation, and Energy Efficiency

33. The borrower/client will avoid, or where avoidance is impossible, will minimize or control the intensity or load of pollutant emission and discharge. In addition the borrower/client will examine and incorporate in its operations resource conservation and energy efficiency measures consistent with the principles of cleaner production. When the project has the

⁹ World Bank Group, 2007. *Environmental, Health, and Safety General Guidelines.* Washington, DC.

potential to constitute a significant source of emissions in an already degraded area, strategies that help improve ambient conditions, such as evaluating alternative project locations and considering emissions offsets, will be introduced.

b. Wastes

34. The borrower/client will avoid, or where avoidance is not possible, will minimize or control the generation of hazardous and nonhazardous wastes and the release of hazardous materials resulting from project activities. Where waste cannot be recovered or reused, it will be treated, destroyed, and disposed of in an environmentally sound manner. If the generated waste is considered hazardous, the client will explore reasonable alternatives for its environmentally sound disposal considering the limitations applicable to its transboundary movement.¹⁰ When waste disposal is conducted by third parties, the borrower/client will use contractors that are reputable and legitimate enterprises licensed by the relevant regulatory agencies.

c. Hazardous Materials

35. The borrower/client will avoid the manufacture, trade, and use of hazardous substances and materials subject to international bans or phaseouts because of their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, or potential for depletion of the ozone layer¹¹ and will consider the use of less hazardous substitutes for such chemicals and materials.

d. Pesticide Use and Management

36. The environmental assessment will ascertain that any pest and/or vector management activities related to the project are based on integrated pest management approaches and aim to reduce reliance on synthetic chemical pesticides in agricultural and public health projects. The borrower/client's integrated pest/vector management program will entail coordinated use of pest and environmental information along with available pest/vector control methods, including cultural practices, biological, genetic and, as a last resort, chemical means to prevent unacceptable levels of pest damage. The health and environmental risks associated with pest management should be minimized with support, as needed, to institutional capacity development, to help regulate and monitor the distribution and use of pesticides and enhance the application of integrated pest management.

37. The borrower/client will not use products that fall in World Health Organization Recommended Classification of Pesticides by Hazard Classes Ia (extremely hazardous) and Ib (highly hazardous) or Class II (moderately hazardous), if the project host country lacks restrictions on distribution and use of these chemicals, or if they are likely to be accessible to personnel without proper training, equipment, and facilities to handle, store, apply and dispose of these products properly. The borrower/client will handle, store, apply and dispose of pesticides in accordance with international good practice such as the Food and Agricultural Organization's International Code of Conduct on the Distribution and Use of Pesticides.

e. Greenhouse Gas Emissions

¹⁰ Consistent with the objectives of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes.

¹¹ Consistent with the objectives of the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer.

The borrower/client will promote the reduction of project-related anthropogenic 38. greenhouse gas emissions in a manner appropriate to the nature and scale of project operations and impacts. During the development or operation of projects that are expected to or currently produce significant quantities of greenhouse gases,¹² the borrower/client will quantify direct emissions from the facilities within the physical project boundary and indirect emissions associated with the off-site production of power used by the project. The borrower/client will conduct quantification and monitoring of greenhouse gas emissions annually in accordance with internationally recognized methodologies.¹³ In addition, the borrower/client will evaluate technically and financially feasible and cost-effective options to reduce or offset project-related greenhouse gas emissions during project design and operation, and pursue appropriate options.

10. **Health and Safety**

Occupational Health and Safety а.

The borrower/client will provide workers¹⁴ with a safe and healthy working environment, 39. taking into account risks inherent to the particular sector and specific classes of hazards in the borrower's/client's work areas, including physical, chemical, biological, and radiological hazards. The borrower/client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring during the course of work by (i) identifying and minimizing, so far as reasonably practicable, the causes of potential hazards to workers; (ii) providing preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; (iii) providing appropriate equipment to minimize risks and requiring and enforcing its use; (iv) training workers and providing them with appropriate incentives to use and comply with health and safety procedures and protective equipment; (v) documenting and reporting occupational accidents, diseases, and incidents; and (vi) having emergency prevention, preparedness, and response arrangements in place.

40. The borrower/client will apply preventive and protective measures consistent with international good practice, as reflected in internationally recognized standards such as the World Bank Group's Environment, Health and Safety Guidelines (footnote 7).

b. **Community Health and Safety**

41. The borrower/client will identify and assess the risks to, and potential impacts on, the safety of affected communities during the design, construction, operation, and decommissioning of the project, and will establish preventive measures and plans to address them in a manner commensurate with the identified risks and impacts. These measures will favor the prevention or avoidance of risks and impacts over their minimization and reduction. Consideration will be given to potential exposure to both accidental and natural hazards, especially where the structural elements of the project are accessible to members of the affected community or where their failure could result in injury to the community. The borrower/client will avoid or

¹² Even though the significance of a project's contribution to greenhouse gas emissions varies between industry sectors, the significance threshold to be considered for these requirements is generally 100,000 tons of carbon dioxide equivalent per year for the aggregate emissions of direct sources and indirect sources associated with electricity purchased for own consumption.¹³ Estimation methodologies are provided by the Intergovernmental Panel on Climate Change (IPCC), various

international organizations, and relevant host country agencies.

¹⁴ Including nonemployee workers engaged by the borrower/client through contractors or other intermediaries to work on project sites or perform work directly related to the project's core functions.

minimize the exacerbation of impacts caused by natural hazards, such as landslides or floods that could result from land use changes due to project activities.

42. The borrower/client will inform affected communities of significant potential hazards in a culturally appropriate manner. The borrower/client will be prepared to respond to accidental and emergency situations. This preparation will include response planning document(s) that addresses the training, resources, responsibilities, communications, procedures, and other aspects required to respond effectively to emergencies associated with project hazards. Appropriate information about emergency preparedness and response activities, resources, and responsibilities will be disclosed to affected communities.

43. When structural elements or components, such as dams, tailings dams, or ash ponds, are situated in high-risk locations and their failure or malfunction may threaten the safety of communities, the borrower/client will engage qualified and experienced experts, separate from those responsible for project design and construction, to conduct a review as early as possible in project development and throughout project design, construction, and commissioning.

11. Physical Cultural Resources

44. The borrower/client is responsible for siting and designing the project to avoid significant damage to physical cultural resources.¹⁵ Such resources likely to be affected by the project will be identified, and qualified and experienced experts will assess the project's potential impacts on these resources using field-based surveys as an integral part of the environmental assessment process specified in paras 4–10.

45. When a project may affect physical cultural resources, the borrower/client will consult with affected communities who use, or have used them within living memory, for long-standing cultural purposes to identify physical cultural resources of importance and to incorporate the views of the affected communities on such resources into the borrower's/client's decision-making process. Consultation will also involve relevant national or local regulatory agencies that are entrusted with protecting physical cultural resources. The findings are disclosed as part of, and in the same manner as, the environmental assessment report, except when such disclosure would compromise or jeopardize the safety or integrity of the physical cultural resources.

46. When the project is likely to have adverse impacts on physical cultural resources, the borrower/client will identify appropriate measures for avoiding or mitigating these impacts as part of the environmental planning process specified in paras 12–16. These measures may range from avoidance to full site protection to selective mitigation, including salvage and documentation, in cases where a portion or all of the physical cultural resources may be lost.

47. When the proposed location of a project is in areas where physical cultural resources are expected to be found as determined during the environmental assessment process, chance finds procedures will be included in the EMP. Chance finds shall not be disturbed until an assessment by a competent specialist is made and actions consistent with these requirements are identified.

¹⁵ Defined as movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance. Physical cultural resources may be located in urban or rural settings and may be above or below ground or under water. Their cultural interest may be at the local, provincial, national, or international level.

48. The project will not remove any physical cultural resources unless the following conditions are met:

- (i) No alternatives to removal are available.
- (ii) The overall benefits of the project substantially outweigh the anticipated cultural heritage loss from removal.
- (iii) Any removal is conducted in accordance with relevant provisions of national and/or local laws, regulations, and protected area management plans and national obligations under international laws, and employs the best available techniques.

ANNEX E-5: PROHIBITED INVESTMENT ACTIVITIES LIST OF THE DEVELOPMENT FINANCIAL INSTITUTIONS

The following investment activities do not qualify for financing from DFIs (see footnote below)¹:

- (i) production or activities involving harmful or exploitative forms of forced labor² or child labor;³
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,⁴ pesticides, and herbicides,⁵ (b) ozone-depleting substances,⁶ (c) polychlorinated biphenyls⁷ and other hazardous chemicals,⁸ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁹ and (e) transboundary trade in waste or waste products;¹⁰
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹¹
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling, casinos, and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,¹² including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹³
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

¹ The prohibited investment activities listed here pertains to Asian Development Bank. Other DFIs may have there own list.

² Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

 ³ Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

⁴ A list of pharmaceutical products subject to phaseouts or bans is available at http://www.who.int.

⁵ A list of pesticides and herbicides subject to phaseouts or bans is available at http://www.pic.int.

⁶ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at http://www.unep.org/ozone/montreal.shtml.

⁷ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁸ A list of hazardous chemicals is available at http://www.pic.int.

⁹ A list is available at http://www.cites.org.

¹⁰ As defined by the Basel Convention; see http://www.basel.int.

¹¹ This does not apply to investee companies who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a investee company's primary operations.

operations.¹² This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

¹³ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

ANNEX E-6: CHECKLISTS OF ENVIRONMENT SAFEGUARDS DOCUMENTS THAT SHOULD BE SUBMITTED BY LEAD BANKS/SUBBORROWERS (SPECIAL PURPOSE VEHICLES) TO IIFCL FOR LOAN APPLICATION

I. Key Approvals/Consents

- (i) Letter of Application made, Status and Approval letter (attached with applicable conditions) from the Ministry of Environment and Forests (MOEF)/State Department of Environment for Environmental Clearance.
- (ii) Letter of Application made, Status and Approval letter (attached with applicable conditions) from the Ministry of Environment and Forests (MOEF)/State Department of Environment/State Coastal Regulation Zone Authority for Clearance on Coastal Regulation Zone (CRZ).
- (iii) Letter of Application made, Status and Approval letter (attached with applicable conditions) from the Ministry of Environment and Forests (MOEF)/State Department of Forests for Forest Clearance.
- (iv) Letter of Application made. Status and Approval letter (attached with applicable conditions) for Consent to Establish (CFE) and Consent to Operate from concerned State/UT Pollution Control Board(s).

II. Key Documentation

- (i) EIA report with Executive Summary, Environmental Management Plan, Disaster Management Plan, with statement of budgets that have been estimated and committed.
- (ii) Record of Public Hearing (actual conduct as well as written comments received) with a statement that summarizes suggestions incorporated in the Environmental Management Plan (EMP) as a result of public hearing.
- (iii) For projects already under implementation, Status on implementation of EMP, budget spent out of allocated, institutional arrangements for monitoring and review, records on environmental monitoring.
- (iv) Enviro-legal statement on the project that states whether the project is under any legal proceedings e.g. by State/Central Government or suffering from Public Interest Litigation (PIL).

ANNEX E-7: SUMMARY OF KEY ENVIRONMENTAL AND SOCIAL LEGISLATIONS IN INDIA

	INDIA			
NAME	SCOPE AND OBJECTIVE	OPERATIONAL AGENCIES/KEY PLAYERS		
1. Water (Prevention and Control of Pollution) Act, 1974, amended, 1988	To provide for the prevention and control of water pollution and enhancing the quality of water	Central and State Pollution Control Boards		
2. Air (Prevention and Control of Pollution) Act, 1981, amended, 1987	To provide for prevention, control and abatement of air pollution	Central and State Pollution Control Boards		
3. Indian Forest Act, 1927	To consolidate acquisition of common property such as forests	State Government, Forest Settlement Officers		
4. Forest Conservation Act, 1980, amended, 1988	To halt India's rapid deforestation and resulting environmental degradation	Central Government		
5. Wildlife Protection Act, 1972, amended, 1993	To protect wildlife	Wildlife Advisory Boards, Central Zoo Authorities		
6. Environment (Protection) Act, 1986, amended, 1991	To provide for the protection and improvement of the environment under an umbrella legislation	Central Government, nodal agency MoEF, can delegate powers, State Departments of Environment		
7. Land Acquisition Act, 1894, amended 1985	To set out rules for the acquisition of land by the Government	Ministry of Rural Development (Department of Land Resources)		
8. National Rehabilitation and Resettlement Policy (NRRP), 2007	To provide guidelines and for planning and implementation for the R&R component of the project	Ministry of Rural Development (Department of Land Resources)		
9. Various Panchayat Acts ¹	To provide for planning the development at district level and the roles and responsibilities of Panchayats for planning and implementing the project.	Directorate of Town Panchayats		
10. Various Labour Laws in India	Labour law defines the rights and obligations as workers, union members and employers in the workplace	Central and State Governments		

¹ For a State-wise Profile on Panchayats, refer to <u>http://www.iespanchayat.net.in/database-panchayat-profile.htm</u>

ANNEX E-8: ENVIRONMENTAL RULES AND NOTIFICATIONS RELEVANT TO INFRASTRUCTURE PROJECTS¹

1. The Central and State Governments have the authority to regulate any operation relevant to infrastructure projects that are not in keeping with the following rules.

2. **The Environment (Protection) Act, 1986, amended 1991.** This Act is an umbrella legislation providing a single focus in the country for the protection of environment and seeks to plug the loopholes of earlier legislation relating to environment. Several sets of Rules relating to various aspects of management of hazardous chemicals, wastes, microorganisms etc. have been notified under this Act. Some important points of this Act are

- (i) The Central Government may also put restrictions on an area in which any industry, operation or process or class of industries or operations shall not be carried out. If they are to be carried out, they may be permitted with certain safeguards.
- (ii) Emissions and effluent standards with respect to 60-odd categories of industries have been evolved and notified so far
- (iii) The standards with respect to pollutants are to be achieved within a period of one year from the date of their notification, especially by those industries identified as highly polluting.
- (iv) However, if a particular State Pollution Control Board (SPCB) / Union Territory Pollution Control Committee (UTPCC)² may so desire, it may reduce the time limit and also specify more stringent standards with respect to a specified category of industries within their jurisdiction. The SPCB however cannot relax either the time limit or the standards.
- (v) Those industries that require consent under the Water Act, Air Act or both, or authorisation under the Hazardous Waste (Management and Handling) Rules, 1989, are required to submit an environmental audit report to the concerned SPCB/PCC on or before 30th September every year.

3. **The Water (Prevention and Control of Pollution) Act, 1974, amended 1988.** The main provisions of this Act aim at prevention and control of water pollution as well as restoration of water quality, through the establishment of SPCB. Some salient features of this Act

- (i) No persons shall knowingly cause or permit any poisonous, noxious or polluting matter determined in accordance with such standards as may be laid down by the SPCB to enter (whether directly or indirectly) into any stream or well or sewer or on land
- (ii) No person shall knowingly cause or permit to enter into any stream any other matter which may tend, either directly or in combination with similar matters, to impede the proper flow of the water of the stream in a matter leading or likely to lead to a substantial aggravation of pollution due to other causes or of its consequences
- (iii) No person shall, without the previous consent of the SPCB:
 - (a) Establish or take any steps to establish any industry, operation or process, or any treatment and disposal system or an extension or addition thereto which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land (such discharge being

¹ Adapted from: (1) Legislations on Environment, Forests, and Wildlife [Updated on 27/11/2006] at <u>http://envfor.nic.in/legis/legis.html#K</u> (2) Environmental Procedures: Guidelines and Clearances. Available at www.tidco.com/tn_policies/SIPB/enviro_clear.PDF

² Hereafter referred to as "SPCB" only.

hereafter in this section referred to as discharge of sewage) or

- (b) Bring into use any new or altered outlets for the discharge of sewage or
- (c) Begin to make any new discharge of sewage

4. An investor intending to set up an industry is required to apply in the prescribed form to the SPCB concerned to obtain the consent to establish as well as the consent to operate the industry after establishment. While granting the consent, the SPCB also stipulates specific conditions relating to the temperature, volume, composition, rate and point of discharge of emissions, effluents etc. The consent to operate an industry is granted for a specific period after which the conditions stipulated at the time of granting consent are reviewed by the SPCB. Even before the expiry of the consent period, the SPCB is authorized to carry out random checks on any industry to check if the standards prescribed are being complied with by the industry; in case the standards are not being met, the SPCB is authorized to serve a notice to the concerned person.

5. The owner of a defaulting industry may be required to construct a sewage/effluent treatment system. In the event of non-compliance of the standards, the SPCB may issue directions for disconnecting electricity and water supply or any other services to the industry, in extreme cases even to close down the unit.

6. Stringent penalties are prescribed in this Act for those who operate their industry without the valid consent or in violation of consent conditions. Any person aggrieved by an order of the SPCB in the above context may appeal to the Appellate Authority constituted by the concerned State Government. As per the provisions under the Water Act and the Air Act, all State Governments, are required to constitute Appellate Authorities for addressing the appeals received against SPCB. While some State Governments have separate Appellate Authorities under the two Acts, a single Appellate Authority may also exist in other states.

7. **The Air (Prevention and Control of Pollution) Act, 1981, amended 1987.** The objective of the Air Act is to prevent, control and reduce air pollution including noise pollution and to establish Boards at the States/UTs for this. Under the provisions of this Act, no person shall establish or operate any industrial plant without the consent of the SPCB. For obtaining consent to establish an industry, the investor has to apply to the SPCB in the prescribed form accompanied by the prescribed fees. The Board is required to grant consent within 4 months of receipt of the application. The consent would contain conditions relating to specifications of pollution control equipment to be installed.

8. The other Provisions of the Act are similar to those of the Water Act, 1974.

9. The Public Liability Insurance Act, 1991, amended in 1992. This Act imposes on the owner the liability to provide immediate relief with respect to death or injury to any person or damage to any property resulting from an accident while handling any of the notified hazardous chemicals. This relief has to be provided on `on fault' basis. To be able to meet this liability, the owner handling hazardous chemicals has to take an insurance policy of an amount equal to it's paid up capital' or up to Rs.500 million, whichever is less. The policy has to be renewed every year. New undertakings will have to take this policy before starting their activity. For existing plants the policy was to be taken within one year of the Act coming into force i.e. up to 31st March, 1992. The owner also has to pay an amount equal to its annual premium to the Central Government's Environment Relief Fund (ERF). The reimbursement of relief to the extent of Rs25,000 per person is admissible in case of fatal accidents in addition to the reimbursement of medical expenses up to Rs12,500. The liability of the insurer is limited to Rs50 million per accident up to Rs150 million per year or up to the tenure of the policy. Any claims in excess of this liability will be paid from the ERF. In case the award still exceeds, the remaining amount shall have to be met by the owner. The

payment under the Act is only for the immediate relief; owners shall have to provide the final compensation, if any, arising out of legal proceedings.

10. The Environmental Impact Assessment Notification, 2006 and further amendments in January 2009, December 2009, April 2011, January 2012. This notification lays down specific project categories that require environmental clearance from the from the Central Government or as the case may be, by the State Level Environment Impact Assessment Authority, duly constituted by the Central Government, prior to establishing an industrial unit (see "Specified Requirements for Environmental Clearance as listed in the Environment Impact Assessment Notification, 2006, MoEF" in this document). It also addresses the composition of Screening, Scoping and Appraisal Committees, stages prior to environmental clearance, including public consultation and post-environmental clearance.

11. Forest Conservation Act, 1980 amended in 1988 was enacted to help conserve the country's forests. It strictly restricts and regulates the de-reservation of forests or use of forest land for non-forest purposes without the prior approval of Central Government. To this end, the Act lays down the pre-requisites for the diversion of forest land for non-forest purposes.

12. Forest Conservation Act, 1980 amended in 1988 was enacted to help conserve the country's forests. It strictly restricts and regulates the de-reservation of forests or use of forest land for non-forest purposes without the prior approval of Central Government. To this end, the Act lays down the pre-requisites for the diversion of forest land for non-forest purposes.

13. Forest Conservation Act, 1980 amended in 1988 was enacted to help conserve the country's forests. It strictly restricts and regulates the de-reservation of forests or use of forest land for non-forest purposes without the prior approval of Central Government. To this end, the Act lays down the pre-requisites for the diversion of forest land for non-forest purposes.

14. **Environment (Siting for Industrial Projects) Rules, 1999.** These are the various environmental guidelines mandated by the MoEF for siting of industries. Topics addressed include (i) prohibition for setting up of certain industries, (ii) establishment of new units with certain conditions, (iii) restrictions on the units in Taj Trapezium and (iv) establishment of new units around archaeological monuments.

15. **Notifications concerning Ecosensitive Zones.** The MoEF has prohibited and/or restricted specified industrial activities in certain areas of the country. These zones are also called ecosensitive zones and are listed below:

- (i) Matheran and surrounding region
- (ii) Mahabaleswar Panchgani region
- (iii) Pachmarhi region
- (iv) Taj Trapezium Zone
- (v) Dahanu Taluka, District Thane, Maharashtra
- (vi) Numaligarh, East of Kaziranga
- (vii) Aravalli Range
- (viii) Doon Valley (Uttar Pradesh)
- (ix) Murud-Janjira, Raigadh District, Maharashtra
- (x) Kalesar National Park, Yamunanagar district, Haryana
- (xi) Kalesar Wildlife Sanctuary, Yamunanagar district, Haryana
- (xii) Khol hi Raitan Wildlife Sanctuary, Panchkula District, Haryana
- (xiii) Bir Shikargarh Wildlife Sanctuary, Panchkula District, Haryana

- (xiv) Nahar Wildlife Sanctuary, Rewari District, Haryana
- (xv) Chhilchhila Wildlife Sanctuary, Kurukshetra District, Haryana
- (xvi) Abubsaher Wildlife Sanctuary, Sirsa District, Haryana
- (xvii) Bhindawas Wildlife Sanctuary, Jhajjar District, Haryana
- (xviii) Khaparwas Wildlife Sanctuary, Jhajjar District, Haryana
- (xix) Mount Abu, Sirohi District, Rajasthan
- (xx) Sultanpur National Park, Gurgaon District, Haryana

16. **Notifications concerning Coastal Regulation Zones,2011.** The notifications aim at regulating activities in the CRZs. the Central Government, with a view to ensure livelihood security to the fisher communities and other local communities, living in the coastal areas, to conserve and protect coastal stretches, its unique environment and its marine area and to promote development through sustainable manner based on scientific principles taking into account the dangers of natural hazards in the coastal areas, sea level rise due to global warming, does hereby, declare the coastal stretches of the country and the water area upto its territorial water limit, excluding the islands of Andaman and Nicobar and Lakshadweep and the marine areas surrounding these islands upto its territorial limit, as Coastal Regulation Zone (hereinafter referred to as the CRZ) and restricts the setting up and expansion of any industry, operations or processes and manufacture or handling or storage or disposal of hazardous substances as specified in the Hazardous Substances (Handling, Management and Transboundary Movement) Rules, 2009 in the aforesaid CRZ.

17. **Noise Pollution (Control and Regulation) Rules, 2000, latest amended 2010.** As per these rules, the noise levels in any area/zone shall not exceed the ambient air quality standards with respect to noise as specified in the Schedule.

18. **The Environmental Audit Notification, 1992.** This notification directs that an environmental audit report be submitted yearly to the Pollution Control Board in cases where consent is required under the Water/Air Act or authorisation under the Hazardous Wastes (Management and Handling) rules. The notification requires that an Environmental Statement for the financial year ending the 31st March be submitted to the concerned State Pollution Control Board, on or before the 30th September of the same year.

19. **Manufacture, Use, Import, Export and Storage of Hazardous Micro-Organisms and Genetically Engineered Organism or Cell Rules, 1989, latest amended 2007.** The Department of Bio-Technology under the Ministry of Science and Technology is the nodal agency for granting licences for manufacture, import and export of micro-organisms and genetically engineered organisms. However, such licences are issued only after the proposal is cleared from the environmental angle by the Ministry of Environment and Forests. For according such clearances, the Ministry has notified the `Rules for the Manufacture, Use, Import, Export and Storage of Hazardous Micro-organisms and Genetically Engineered Organisms or Cells' in 1989 under the EPA, 1986.

20. The investor is required to submit an application in the prescribed proforma to the Ministry of Environment and Forests. The Genetic Engineering Approval Committee (GEAC) constituted by the MoEF examines the application form and makes recommendations.

21. All industries involving hazardous micro-organisms or genetically engineered organisms, are required to constitute an Institutional Bio-Safety Committee (IBSC) to oversee the planning and execution of various operations in a safe manner and to prepare an on-site emergency plan to deal with any accident which may occur due to a hazardous micro-organism.

22. These rules will apply to infrastructure projects such as those requiring

bioremediation of contaminated sites.

23. The Hazardous Wastes (Management , Handling and Transboundary Movement) Rules, 2008 Notification, amended 2009. These rules lay down the responsibility of the 'occupier' of the infrastructure project for the handling of wastes. The occupier shall take all practical steps to ensure that such wastes are properly handled and disposed of without any adverse effects which may result from such wastes. The occupier shall also be responsible for proper collection, reception, treatment, storage and disposal of these wastes either himself or through the operator of a facility. The rules also specify criteria for the grant of authorizations for the handling of hazardous wastes, inventory of disposal sites, generation and maintenance of records, accident reporting and follow-up.

24. The Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989, amended 2000. These rules apply to an industrial activity in which a hazardous chemical, which satisfies any of the criteria laid down in the rules, and/or isolated storage in which there is involved a threshold quantity of a hazardous chemical are involved. The occupier (who has control of an industrial activity) has to provide evidence to show that he has identified the major accident hazards and taken adequate steps to prevent such major accidents and limit their consequences to persons and the environment and provide the persons working on the site with the information, training and equipment including antidotes necessary to ensure their safely. These rules also lay down the criteria for the notification of major accidents, notification of sites and the updating the site notification following changes in the threshold quantity, safety reports, and preparation of on-site and off-site emergency plans by the occupier, as well as information disclosure.

25. **The Biomedical Waste (Management and Handling) Rules, 1998, amended 2003.** These rules apply to all projects which generate, collect, receive, store, transport, treat, dispose, or handle bio medical waste in any form. They deal with the various categories of biomedical waste, segregation, packaging, transportation, storage and disposal of such waste.

26. Chemical Accidents (Emergency Planning, Preparedness and Response) Rules, 1996. These rules concern chemical accidents - any accident involving a sudden or unintended occurrence while handling any hazardous chemicals resulting in continuous, intermittent or repeated exposure to death, or injury to, any person or damage to any property. Schedules 2 and 3 of the Rules list the threshold quantities and names of the various chemicals to which they are applicable.

27. **The Batteries (Management and Handling) Rules, 2001,amended 2010.** These rules shall apply to every manufacturer, importer, re-conditioner, assembler, dealer, recycler, auctioneer, consumer and bulk consumer involved in manufacture, processing, sale, purchase and use of lead acid batteries or components thereof. The rules delineate the responsibility of the consumer, (the category under which infrastructure project sites using plants, equipment and vehicles would fall) namely that they must ensure that used batteries are not disposed of in any manner other than depositing with a dealer, manufacturer, importer, assembler, registered recycler, reconditioner or at designated collection centres.

ANNEX E-9: ENVIRONMENTAL REGULATIONS AND OBLIGATIONS AND AREAS OF APPLICABILITY AT PROJECT SITES

E&S Regulation	Areas of Applicability at Project Sites	Obligations
The Water (Prevention and Control of Pollution) Act, 1974, amended 1988	Wastewater effluent from camp and construction activities	As per Rule/Clause 20(3), provide PCB information sought by it for preventing or controlling pollution of water regarding the construction, installation, operation or the treatment and disposal systems of the factory (site)
The Water (Prevention and Control of Pollution) Rules, 1975		As per Rule/Clause 21(1), provide access to the PCB or any officer empowered by it for taking samples of water or effluents from the factory for analysis As per Rule/Clause 23 (1) (C), allow entry to the PCB or any person empowered by it, at any
		time, for the purpose of performing any of the entrusted functions, or for inspecting to ascertain the provisions of the Act are being complied with, or for seizing any plant records, registers, documents or any material object, in case there are reasons to believe that provisions of the Act are being contravened
		As per Rule/Clause 24 (1), do not knowingly discharge any effluent into the stream, sewer or on land, of quality which is not conforming to the standards prescribed by the PCB
		As per Rule/Clause 31(1), furnish information to the PCB and other designated agencies, of any accidental or unforeseen event, in which effluents not conforming to the prescribed standards are being discharged, or likely to be discharged into a stream or sewer or on land
		As per Rule/Clause 33(A), comply with the directions issued in writing by the PCB, within the specified time, as mentioned in the order. The directions may include, i) the closure, prohibition or regulation of any industry, operation or process, or ii) the stoppage or regulation of supply of electricity, water or any other service, and (iii) comply with the conditions as prescribed in the "Consent to Establish" or "Consent to Operate" for discharge of effluents into a stream or sewer or on land
		As per Rule/Clause 25(1), obtain "Consent to establish" prior to taking any steps to establish any industry, operation or process or any treatment and disposal system which is likely to discharge effluents

E&S Regulation	Areas of Applicability at Project Sites	Obligations
		As per Rule/Clause 26, (i) obtain "Consent to operate" prior to commencing operations of any industry, or any treatment and disposal system which is likely to discharge effluents (ii) apply for renewal of the consent to operate before the expiry of validity period, as specified in the consent granted earlier, in the prescribed form and along with the prescribed fees
The Water (Prevention and Control of Pollution) Cess Act, 1977, amended 1992 and The	Consumption of water for camp and construction activities	As per Section 3(2), 5(1) and Rules 3 & 4, pay water cess, as prescribed within the specified time as indicated in the assessment order, if the industry is included in the specified schedule under the Act
Water (Prevention and Control of Pollution) Cess Amendment		As per Section 4(1) and Rule 7, affix meters of the prescribed standards for water consumption measurements at places specified by the PCB
Act,2003 The Water (Prevention and Control of Pollution)		As per Section 9(a) and Rule 7, provide access to PCB, at all reasonable times, for implementing the provisions of the Act, including testing of the meters for their accuracy
Cess Rules, 1978		As per Section 10 and Rule 8, pay interest at the prescribed rates, in case of delay in paying water cess
		As per Section 11 and Rule 8, pay penalty for non-payment of cess, within the specified time, not exceeding the amount of cess, in arrears, after being given a reasonable opportunity of hearing
		As per Section 3(2), 5(1) and Rule 4, (i) submit the "Water Cess Return" in the prescribed form at specified intervals, to the PCB (ii) submit analytical report of the treated waste sample/s for the assessment month along with the form of Cess return and claim the rebate of 25%
The Air (Prevention and	Plants and equipment	Comply with the conditions as prescribed in the "Consent to Establish" or "Consent to Operate"
Control of Pollution) Act,	releasing emissions	for emissions
1981, amended 1987 The Air (Prevention and		As per Rule/Clause 21(1), obtain "Consent to establish" prior to taking any steps to establish
Control of Pollution)		any industrial plant in an air pollution control area, which is likely to emit air pollutant(s)
Rules, 1982		As per Rule/Clause 21(1), obtain "Consent to operate" prior to commencing operations of any
The Air (Prevention and		industrial plant which is likely to emit air pollutant(s) in an air pollution control area

E&S Regulation	Areas of Applicability at Project Sites	Obligations
Control of Pollution) (Union Territories) Rules, 1983		As per Rule/Clause 21(2), apply for renewal of the consent to operate before the expiry of validity period, as specified in the consent granted earlier, in the prescribed form and along with the prescribed fees
		As per Rule/Clause 21(5), comply with the conditions under this clause
		As per Rule/Clause 22, no person operating any industrial plant, in any air pollution control area shall discharge or cause or permit to be discharged the emission of any air pollutant in excess of the standards laid down by the State Board under clause (g) of sub-section (1) of section 17
		As per Rule/Clause 23(1), furnish information to the PCB and other designated agencies, of any accidental or unforeseen act or event in which emissions of air pollutant(s) occurred in excess of the prescribed standards or are likely to occur
		As per Rule/Clause 24(2), provide all facilities required by the PCB official for the purpose of sampling
		As per Rule/Clause 25, (i) allow entry to the PCB or any official empowered by it to the industrial established, at all reasonable times, for the purposes of carrying out any of the entrusted functions or for inspecting to ascertain that provisions of the Act are being complied with or for seizing any equipment, plant, records, registers, documents or any other material object if there are reasons to believe that provisions of the act are being contravened (ii) do not discharge air pollutant (s) in excess of the standards prescribed standards by the PCB (iii) provide the PCB any information to enable it to implement the provisions of the Act
The Environment (Protection) Act, 1986,	Activities involving raw material	As per Section 7, Rule 3, prevent discharges or emissions of environmental pollutants in excess of the prescribed standards
amended 1991 The Environment (Protection) Rules, 1986, various amendments	consumption, pollution discharge, and hazardous waste and solid waste	As per Rule/Clause 8, handle hazardous substances in accordance with the procedures and safeguards as prescribed by the respective authorities

E&S Regulation	Areas of Applicability at Project Sites	Obligations
	generation	As per Rule/Clause 9, furnish information to the prescribed agencies of any accidental or unforeseen event in which environmental pollutant(s) not conforming to the prescribed standards are being discharged, or are likely to be discharged, into the environment
		As per Rule/Clause 10, allow entry and inspection by any person empowered by the Central Government into the industrial establishment at all reasonable times, for the purpose of performing any of the functions entrusted, or to ascertain compliance with the provisions of the Act or for seizing of any equipment, plant registers, records or documents in case there are reasons to believe that any provision of the Act is being contravened
		As per Rule/Clause 10(2),11, allow Central Government or any official empowered by it, to take samples of air, water, soil or any other substance from the industry for analysis
		As per Rule/Clause 12, furnish of information to authorities and agencies in certain cases
		As per Rule/Clause 14, (i) submit an "Environmental Statement" every year, before 30th September, to the PCB, in case consent is required under the Water/Air Act or authorisation under the Hazardous Wastes (Management and Handling) rules or both (ii) obtain prior "Environmental Clearance from MoEF, in case of a new project or for modernisation/expansion of the existing project, if it falls under the specified schedule, subject to certain conditions
The Environmental Audit Notification, 1992		
The Environmental Standards Notification,		
1993 Manufacture, Use, Import, Export and Storage of Hazardous Micro-Organisms and Genetically Engineered Organism or Cell Rules, 1989.latest amended	Activities involving on-site bioremediation	

E&S Regulation	Areas of Applicability at Project Sites	Obligations
2007		•
	Accidents on-site	Obligations As per Rule/Clause 3(1), to provide relief, as specified, in case of death, or injury to any person (other than workman), or damage to property from an accident occurring while handling specified hazardous substances, on the principle of no fault As per Rule/Clause 4(2/2A), to draw insurance policies more than the paid-up capital of the undertaking, but less than Rs. 50 crores, before handling any hazardous substances As per Rule/Clause 4(2C), pay additional amounts, as prescribed, to the insurer not exceeding the amount of premium, as contribution to the Environmental Relief Fund to be established under the Act As per Rule/Clause 9, provide any information required by the Central Government or agencies authorised by it, for ascertaining compliance with the provisions of the Act As per Rule/Clause 10, allow entry and inspection of any person empowered by the Central Government to the place where the industrial activity involving hazardous chemicals is being carried out at all reasonable times, to ascertain compliance with the provisions of the Act As per Rule/Clause 7, pay the amount of an award as specified by the collector in the prescribed manner As per Rule/Clause 7 (3) (C), within such period, deposit such amount in such manner as the Collector may direct As per Rule/Clause 7 (6), The owner against whom the award is made under sub-section (1) fails to deposit the amount of such award within the period specified under sub-section (3),
		such amount shall be recoverable from the owner, or as the case may be, the insurer as arrears of land revenue or of public demand
		As per Rule/Clause (12), comply with the directions issued in writing by the Central Government, within the specified time, as mentioned in the order. The directions may include

	Areas of Applicability at	
E&S Regulation	Project Sites	Obligations
		 a) Prohibition or regulation of handling of any hazardous substances, or b)Stoppage or regulation of the supply of electricity, water or any other service
Gas Cylinder Rules, 1981,amended 2004		
The National Environmental Tribunal Act, 1995		
The Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989, amended 2000	Handling of hazardous chemicals in construction activities	As per Rule/Clause 4(2), identify major accident hazards related with industrial activity involving hazardous chemicals, provide relevant information to persons liable to be affected by a major accident, develop information in the form of a safety data sheet, label the specified information on every container of hazardous chemical and follow specified procedures for importing hazardous chemicals
		As per Rule/Clause 5, Occupier to furnish information required to notify the concerned authorities of a major accident
		As per Rule/Clause 7(1), furnish information regarding "Notification of sites" for industrial activity involving hazardous chemicals to the concerned authority in the prescribed form at least 3 months before commencing activity
		As per Rule/Clause 10(1), submit "Safety Report" containing the prescribed information to the concerned authority at least 3 months before making any modifications in compliance to Schedule 8 of the Rules
		As per Rule/Clause 11(1), send further information within the specified time, as mentioned in the notice, if so desired, by the concerned authority relating to the "Safety Report"
		As per Rule/Clause 13, prepare up-to-date on-site emergency plans, before commencing an industrial activity involving hazardous chemicals
		As per Rule/Clause 18(2), provide information on the intention of import of the hazardous chemical to the respective authorities under Schedule 5 of the Rules

E&S Regulation	Areas of Applicability at Project Sites	Obligations
E&S Regulation		Obligations As per Rule/Clause 18(5), maintain records of imports of hazardous chemicals in the prescribed form (Schedule 10) As per Rule/Clause 18(6), carry out an independent safety audit with the help of an expert, not associated with such industrial activities & forward a copy with his comments within 30 days to that authority As per Rules 10 to 12, (a) carry out an independent safety audit with the help of an expert, not associated with such industrial activities & forward a copy with his comments within 30 days to that authority (b) update safety audit report once a year by conducting a fresh safety audit (c) conduct mockdrills once in six months and communicate compliance to the respective authorities provided in Schedule 5 of the Rules (d) assist the District Collector in the preparation of off-site emergency plans as per serial number 9 of this Schedule 5 As per Rule/Clause 4(1), ensure proper collection, reception, treatment, storage and disposal of hazardous wastes by the owner himself or through an operator of the facility for specified hazardous wastes As per Rule/Clause 4A, take adequate steps while handling hazardous waste to contain contaminants and prevent accidents and limit their consequences on human and the environment and provide persons working on the site with information, training and equipment necessary to ensure their safety As per Rule/Clause 5(2), obtain "grant of authorisation" for handling hazardous wastes from PCB after payment of fees Rs. 2500/- As per Rule/Clause 5(6)(ii), apply for renewal of authorisation before expiry of the validity period as specified in the authorisation granted in the prescribed form
		As per Rule/Clause 5(8) (i) and 9 (2), submit annual returns by the Occupier in Form 4

E&S Regulation	Areas of Applicability at Project Sites	Obligations
		As per Rule/Clause 5(8) (ii), submit documentary evidence on steps taken, wherever feasible, for reduction in volume/ concentration of hazardous waste generated or recycled or reused
		As per Rule/Clause 5(8) (iii), fulfill conditions prescribed in the authorization regarding management in an Environmentally Sound Manner (ESM) of Wastes
		As per Rule/Clause 7(2), ensure packaging, labelling and transportation of hazardous wastes in accordance with the provisions of Motor Vehicles Act, 1988
		As per Rule/Clause 7(3), all hazardous waste containers should be provided with a general label as given in Form 8"
		As per Rule/Clause 7(5), provide the transporter with six copies of the manifest as per the 7 colour codes of the manifest system
		As per Rule/Clause 7(6), obtain NOC from SPCBs of the respective states involved in case of any inter and intra state transport of hazardous wastes
		As per Rule/Clause 7(7), provide the transporter with relevant information in Form 10 regarding hazardous nature of the wastes and measures to be taken in case of an emergency As per Rule/Clause 9(1), maintain records of operations generating hazardous waste in Form 3
		As per Rule/Clause 10, report to the PCB any accident at site, or during transportation, while handling hazardous wastes in the prescribed form As per Rule/Clause 16, the occupier, transporter and operator of a facility shall be (i) liable for damages caused to the environment resulting due to improper handling and disposal of hazardous waste listed in schedule 1, 2 and 3 (2) shall be liable to reinstate or restore damaged or destroyed elements of the environment (iii) shall be liable to pay a fine as levied by the SPCB with the approval of the CPCB for any violation of the provisions under these rules

E&S Regulation	Areas of Applicability at Project Sites	Obligations
Chemical Accidents (Emergency Planning, Preparedness and Response) Rules, 1996	-	
The Biomedical Waste (Management and Handling) Rules, 1998, amended 2003	On-site / construction camp clinics and first- aid centres	As per Rule/Clause (4), ensure that biomedical waste is handled without any adverse effect to human health and the environment As per Rule/Clause 5(1), dispose of biomedical waste in accordance with Schedule I and Schedule V
Noise Pollution (Control and Regulation) Rules, 2000, latest amended 2010	Plants, equipment and vehicles	(a) As per Rules/Clause 4(1), ensure that noise levels do not exceed those specified in Schedule (b) follow the conditions stipulated in the letter of Consent by the SPCB (c) Monitor limits for day-time and night-time noise [day-time: 75 dB(A) Leq and night-time: 70 75 dB(A) Leq)]
The Batteries (Management and Handling) Rules, 2001, amended 2010		As per Rules/Clause 10(1), the user must ensure that used batteries are not disposed off in any manner other than depositing with the dealer, manufacturer, importer, assembler, registered recycler, reconditioner or at designated collection centres
Motor Vehicle Act, 1988,various amendments	Light and heavy motor vehicles	This Act should takes into account changes in the road transport technology, pattern of passenger and freight movements, developments, of the road network in the country and particularly the improved techniques in the motor vehicles management.

ANNEX E-10: PROHIBITED ACTIVITIES IN CRZ (COASTAL REGULATION ZONE NOTIFICATION, 2011)

- (i) Setting up of new industries and expansion of existing industries except,
 - (a) those directly related to waterfront or directly needing foreshore facilities; *Explanation*: The expression "foreshore facilities" means those activities permissible under this notification and they require waterfront for their operations such as ports and harbours, jetties, quays, wharves, erosion control measures, breakwaters, pipelines, lighthouses, navigational safety facilities, coastal police stations and the like.;
 - (b) projects of Department of Atomic Energy;
 - facilities for generating power by non-conventional energy sources and setting up of desalination plants in the areas not classified as CRZ-I(i) based on an impact assessment study including social impacts;
 - (d) development of green field Airport already permitted only at Navi Mumbai; and
 - (e) reconstruction, repair works of dwelling units of local communities including fishers in accordance with local town and country planning regulations.
- Manufacture or handling oil storage or disposal of hazardous substance as specified in the notification of Ministry of Environment and Forests, No. S.O.594 (E), dated the 28th July 1989, S.O.No.966(E), dated the 27th November, 1989 and GSR 1037 (E), dated the 5th December, 1989 except,
 - (a) transfer of hazardous substances from ships to ports, terminals and refineries and vice versa; and
 - (b) facilities for receipt and storage of petroleum products and liquefied natural gas as specified in Annexure-II appended to this notification and facilities for regasification of Liquefied Natural Gas (hereinafter referred to as the LNG) in the areas not classified as CRZ- I(i) subject to implementation of safety regulations including guidelines issued by the Oil Industry Safety Directorate in the Ministry of Petroleum and Natural Gas and guidelines issued by MoEF and subject to further terms and conditions for implementation of ameliorative and restorative measures in relation to environment as may be stipulated by in MoEF. Provided that facilities for receipt and storage of fertilizers and raw materials required for manufacture of fertilizers like ammonia, phosphoric acid, sulphur, sulphuric acid, nitric acid and the like, shall be permitted within the said zone in the areas not classified as CRZ-I(i).
- (iii) Setting up and expansion of fish processing units including warehousing except hatchery and natural fish drying in permitted areas:
- (iv) Land reclamation, bunding or disturbing the natural course of seawater except those,
 - (a) required for setting up, construction or modernisation or expansion of foreshore facilities like ports, harbours, jetties, wharves, quays, slipways, bridges, sealink, road on stilts, and such as meant for defence and security purpose and for other facilities that are essential for activities permissible under the notification;
 - (b) measures for control of erosion, based on scientific including Environmental Impact Assessment (hereinafter referred to as the EIA) studies;
 - (c) maintenance or clearing of waterways, channels and ports, based on EIA studies; and

- (d) measures to prevent sand bars, installation of tidal regulators, laying of storm water drains or for structures for prevention of salinity ingress and freshwater recharge based on carried out by any agency to be specified by MoEF.
- (v) Setting up and expansion of units or mechanism for disposal of wastes and effluents except facilities required for,
 - (a) discharging treated effluents into the water course with approval under the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974);
 - (b) storm water drains and ancillary structures for pumping; and
 - (c) treatment of waste and effluents arising from hotels, beach resorts and human settlements located in CRZ areas other than CRZ-I and disposal of treated wastes and effluents
- (vi) Discharge of untreated waste and effluents from industries, cities or towns and other human settlements. The concerned authorities shall implement schemes for phasing out existing discharge of this nature, if any, within a time period not exceeding 2 years from the date of issue of this notification.
- (vii) Dumping of city or town wastes including construction debris, industrial solid wastes, fly ash for the purpose of land filling and the like and the concerned authority shall implement schemes for phasing out any existing practice, if any, shall be phased out within a period of one year from date of commencement of this notification.

Note: The MoEF will issue a separate instruction to the State Governments and Union territory Administration in respect of preparation of Action Plans and their implementation as also monitoring including the time schedule thereof, in respect of paras (v), (vi) and (vii).

- (viii) Port and harbour projects in high eroding stretches of the coast, except those projects classified as strategic and defence related in terms of EIA notification, 2006 identified by MoEF based on scientific studies and in consultation with the State Government or the Union territory Administration.
- (ix) Reclamation for commercial purposes such as shopping and housing complexes, hotels and entertainment activities.
- (x) Mining of sand, rocks and other sub-strata materials except,
 - (a) those rare minerals not available outside the CRZ area, and
 - (b) exploration and exploitation of oil and natural gas.
- (xi) Drawl of groundwater and construction related thereto, within 200mts of HTL; except the following:
 - (a) in the areas which are inhabited by the local communities and only for their use, and
 - (b) in the area between 200mts-500mts zone t h e d r awl o f g roundwater shall be permitted only when done manually through ordinary wells for drinking, horticulture, agriculture and fisheries and where no other source of water is available.

Note: Restrictions for such drawl may be imposed by the Authority designated by the State Government and Union territory Administration in the areas affected by sea water intrusion.

(xi) Construction activities in CRZ-I except those specified in para 8 of this notification.

- (xiii) Dressing or altering the sand dunes, hills, natural features including landscape changes for beautification, recreation and other such purpose.
- (xiv) Facilities required for patrolling and vigilance activities of marine/coastal police stations.

ANNEX E-11: ENVIRONMENTAL IMPACT ASSESSMENT/SOCIAL IMPACT ASSESSMENT **REVIEW CHECKLIST**

- 1. The checklist is organized in seven sections:
 - (i) Description of the project
 - (ii) Alternatives
 - (iii) Description of the environment likely to be affected by the project
 - Description of the likely significant effects of the project Description of mitigating measures (iv)
 - (v)
 - Non-technical summary (vi)
 - Quality of presentation (vii)

Within each section there are numbered review questions. For some questions notes are 2. provided to assist the reviewer.

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
	1: DESCRIPTION OF THE PROJECT			
	es and physical characteristics of the project		1	
1.1	Are the need for and objectives of the project explained?			
1.2	Is the programme for implementation of the project described, detailing the estimated length of time and start and finish dates for construction, operation and decommissioning? (this should include any phases of different activity within the main phases of the project, for example extraction phases for mining operations)			
1.3	Are all the main components of the project described (see the Checklist of project Activities in Procedure for Scoping)			
1.4	Is the location of each project component identified, using maps, plans and diagrams as necessary?			
1.5	Is the layout of the site (or sites) occupied by the project described? (including ground levels, buildings, other physical structures, underground works, coastal works, storage facilities, water features, planting, access corridors, boundaries)			
1.6	For linear projects, are the route corridor, the vertical and horizontal alignment and any tunneling and earthworks described?			
1.7	Are the activities involved in construction of the project all described?			
1.8	Are the activities involved in operation of the project all described?			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
1.9	Are the activities involved in decommissioning the project all described? (e.g. closure, dismantling, demolition, clearance, site restoration, site re-use etc.)			
1.10	Are any additional services required for the project all described? (e.g. transport access, water, sewerage, waste disposal, electricity, telecoms) or developments (e.g. roads, harbours, powerlines, pipelines)			
1.11	Are any developments likely to occur as a consequence of the project identified? (e.g. new housing, roads, water or sewerage infrastructure, aggregate extraction)			
1.12	Are any existing activities which will alter or cease as a consequence of the project identified?			
1.13	Are any other existing or planned developments with which the project could have cumulative effects identified?			
	ne project			
1.14	Is the area of land occupied by each of the permanent project components quantified and shown on a scaled map? <i>(including any</i> <i>associated access arrangements,</i> <i>landscaping and ancillary facilities)</i>			
1.15	Is the area of land required temporarily for construction quantified and mapped?			
1.16	Is the reinstatement and after use of land occupied temporarily for operation of the project described? (e.g. land used for mining or quarrying)			
1.17	Is the size of any structures or other works developed as part of the project identified? (e.g. the floor area and height of buildings, the size of excavations, the area or height of planting, the height of structures such as embankments, bridges of chimneys, the flow or depth of water)			
1.18	Is the form and appearance of any structures or other works developed as part of the project described? (e.g. the type, finish and colour of materials, architectural design of buildings and structures, plant species, ground surfaces, etc.)			
1.19	For urban or similar development projects, are the numbers and other characteristics of new populations or business communities described?			
1.20	For projects involving the displacement of			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
NO.	people or businesses, are the numbers and			Information needed :
	other characteristics of those displaced described?			
1.21	For new transport infrastructure or projects generating substantial traffic flows, is the type, volume, temporal pattern and geographical distribution of new traffic generated or diverted as a consequence of the project described?			
	on processes and resources used			
1.22	Are all the processes involved in operating the project described? (e.g. manufacturing or engineering processes, primary raw material production, agricultural or forestry production methods, extraction processes)			
1.23	Are the types and quantities of outputs produced by the project described? (these could be primary or manufactured products, goods such as power or water or services such as homes, transport, retailing, recreation, education, municipal services (water, waste, etc.)			
1.24	Are the types and quantities of raw materials and energy needed for construction and operation discussed?			
1.25	Are the E&S implications of the sourcing of raw materials discussed?			
1.26	Is efficiency in use of energy and raw materials discussed?			
1.27	Are any hazardous materials used, stored, handled or produced by the project identified and quantified? • During construction • During operation • During decommissioning			
1.28	Are the transport of raw materials to the project and the number of traffic movements involved discussed? <i>(including road, rail and sea transport)</i> • During construction • During operation • During decommissioning			
1.29	Is employment created or lost as a result of the project discussed? • During construction • During operation • During decommissioning			
1.30	Are the access arrangements and the			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
	number of traffic movements involved in			
	bringing workers and visitors to the project estimated?			
	During construction			
	During operation			
	During decommissioning			
1.31	Is the housing and provision of services for			
	any temporary or permanent employees for			
	the project discussed? (relevant for projects			
	requiring migration of a substantial new			
	workforce into the area for either			
_	construction or the long term)			
	and emissions	I		
1.32	Are the types and quantities of solid waste generated by the project identified?			
	(including construction or demolition			
	wastes, surplus spoil, process wastes, by-			
	products, surplus or reject products,			
	hazardous wastes, household or			
	commercial wastes, agricultural or forestry			
	wastes, site clean-up wastes, mining			
	wastes,			
	decommissioning wastes)			
	During construction			
	During operation			
4.00	During decommissioning			
1.33	Are the composition and toxicity or other			
	hazards of all solid wastes produced by the project discussed?			
1.34	Are the methods for collecting, storing,			
1.04	treating, transporting and finally disposing			
	of these solid wastes described?			
1.35	Are the locations for final disposal of all			
	solid wastes discussed?			
1.36	Are the types and quantities of liquid			
	effluents generated by the project			
	identified? (including site drainage and run-			
	off, process wastes, cooling water, treated			
	effluents, sewage)			
	During construction During operation			
	During operation During decommissioning			
1.37	Are the composition and toxicity or other			
1.07	hazards of all liquid effluents produced by			
	the project discussed?			
1.38	Are the methods for collecting, storing,			
	treating, transporting and finally disposing			
	of these liquid effluents described?			
1.39	Are the locations for final disposal of all			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
1.40	Are the types and quantities of gaseous and			
	particulate emissions generated by the project identified? (including process emissions, fugitive emissions, emissions from combustion of fossil fuels in stationary and mobile plant, emissions from traffic, dust from materials handling, odours) • During construction • During operation			
1.41	During decommissioning Are the composition and toxicity or other			
1.41	hazards of all emissions to air produce by the project discussed?			
1.42	Are the methods for collecting, treating and finally discharging these emissions to air described?			
1.43	Are the locations for discharge of all emissions to air identified and the characteristics of the discharges identified? (e.g. height of stack, velocity and temperature of release)			
1.44	Is the potential for resource recovery from wastes and residues discussed? (including re-use, recycling or energy recovery from solid waste and liquid effluents)			
1.45	Are any sources of noise, heat, light or electromagnetic radiation from the project identified and quantified? <i>(including</i> <i>equipment, processes, construction works,</i> <i>traffic, lighting, etc.)</i>			
1.46	Are the methods for estimating the quantities and composition of all residues and emissions identified and any difficulties discussed?			
1.47	Is the uncertainty attached to estimates of			
Dicko of	residues and emissions discussed?			
1.48	Are any risks associated with the project			
	 discussed? Risks from handling of hazardous materials Risks from spills fire, explosion Risks of traffic accidents Risks from breakdown or failure of processes or facilities Risks from exposure of the project to natural disasters (earthquake, flood, 			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
1.49	Are measures to prevent and respond to			
1.45	accidents and abnormal events described?			
	(preventive measures, training, contingency			
	plans, emergency plans, etc.)			
Any oth	er questions on project description			
	N 2: CONSIDERATION OF ALTERNATIVES			
2.1	Is the process by which the			
	project was			
	developed described and are alternatives			
	considered during this process described?			
	(See guidance on types of alternatives which may be relevant in Procedure for			
	Scoping)			
2.2	Is the baseline situation in the 'No project'			
2.2	situation described?			
2.3	Are the alternatives realistic and genuine			
	alternatives to the project?			
2.4	Are the main reasons for choice of the			
	proposed project explained, including any			
	E&S reasons for the choice?			
2.5	Are the main E&S effects of the alternatives			
	compared with those of the proposed			
Anvioth	project? er questions on consideration of alternatives			
Any oth	er questions on consideration of alternatives			
SECTIO THE PR	N 3: DESCRIPTION OF ENVIRONMENT AND	PEOPL	E LIKELY	TO BE AFFECTED BY
	of the environment			
3.1	Are the existing land uses of the land to be			
	occupied by the project and the surrounding			
	area described and are any people living on			
	or using the land identified? (including residential, commercial, industrial,			
	agricultural, recreational and amenity land			
	uses and any buildings, structures or other			
	property)			
3.2	Are the topography, geology and soils of			
	the land to be occupied by the project and			
	the surrounding area described?			
3.3	Are any significant features of the			
	topography or geology of the area			

No.	Review Question described and are the conditions and use of	Relevant?	Adequately addressed?	Any further information needed?
	soils described? (including soil quality stability and erosion, agricultural use and agricultural land quality)			
3.4	Are the fauna and flora and habitats of the land to be occupied by the project and the surrounding area described and illustrated on appropriate maps?			
3.5	Are species populations and characteristics of habitats that may be affected by the project described and are any designated or protected species or areas defined?			
3.6	Is the water environment of the area described? (including running and static surface waters, groundwater, estuaries, coastal wasters and the sea and including run off and drainage. Not relevant if water environment will not be affected by the project)			
3.7	Are the hydrology, water quality and use of any water resources that may be affected by the project described? (including use for water supply, fisheries, angling, bathing, amenity, navigation, effluent disposal)			
3.8	Are local climatic and meteorological conditions and existing air quality in the area described? (not relevant if the atmospheric environment will not be affected by the project)			
3.9	Is the existing noise climate described? (not relevant if acoustic environment will not be affected by the project)			
3.10	Is the existing situation regarding light, heat and electromagnetic radiation described? (not relevant if these characteristics of the environment will not be affected by the project)			
3.11	Are any material assets in the area that may be affected by the project described? (including buildings, other structures, mineral resources, water resources)			
3.12	Are any locations or features of archaeological, historic, architectural or other community or cultural importance in the area that may be bisected the project described, including any designated or protected sites? Is the landscape or townscape of the area			

N		Relevant?	Adequately addressed?	Any further
No.	Review Question			information needed?
	that may be affected by the project			
	described, including any designated or			
	protected landscapes and any important			
	views or viewpoints?			
3.14	Are demographic, social and socio-			
	economic conditions (e.g. employment) in			
	the area described?			
3.15	Are any future changes in any of the above			
	aspects of the environment that may occur			
	in the absence of the project, described?			
	(the so-called Moving Baseline or 'No			
Dete et	project' situation)			
	lection and survey methods			
3.16	Has the study area been defined widely			
	enough to include all the area likely to be			
0.47	significantly affected by the project?			
3.17	Have all relevant national and local			
	agencies been contacted to collect			
0.40	information on the baseline environment?			
3.18	Have sources of data and information on			
	the existing environment (including social			
3.19	issues) been adequately referenced?			
3.19	Where surveys have been undertaken as part of the E&S studies to characterize the			
	baseline environment are the methods			
	used, any difficulties encountered and any			
	uncertainties in the data described?			
3.20	Were the methods used appropriate for the			
0.20	purpose?			
3.21	Are any important gaps in the data on the			
0.21	existing environment (including social			
	issues) identified and the means used to			
	deal with these gaps during the assessment			
	explained?			
3.22	If surveys would be required to adequately			
•	characterise the baseline conditions but			
	they have not been practicable for any			
	reason, are the reasons explained and			
	proposals set out for the surveys to be			
	undertaken at a later stage?			
Any othe	er questions on description of the environme	nt		
SECTIO	A: DESCRIPTION OF LIKELY SIGNIFICANT	E&S EFF	ECTS OF	THE PROJECT
	of effects (See Procedure for Scoping)			
4.1	Is the process by which the scope of the			
	E&S studies were defined described?			

		Relevant?	Adequately addressed?	Any further
No.	Review Question		9 -	information needed?
4.2	Is it evident that a systematic approach to			
	scoping was adopted?			
4.3	Is it evident that full consultation was			
	carried out during scoping?			
4.4	Are the comments and views of consultees			
B B C	presented?			
	on of direct effects			
4.5	Are direct, primary effects on land uses, people and property described and where appropriate quantified?			
4.6	Are direct, primary effects on geological features and characteristics of soils described and where appropriate quantified?			
4.7	Are direct, primary effects on fauna and flora and habitats described and where appropriate quantified?			
4.8	Are direct, primary effects on the hydrology and water quality of water features described and where appropriate quantified?			
4.9	Are direct, primary effects on uses of the water environment described and where appropriate quantified?			
4.10	Are direct, primary effects on air quality and climatic conditions described and where appropriate quantified?			
4.11	Are direct, primary effects on the acoustic environment (noise or vibration) described and where appropriate quantified?			
4.12	Are direct, primary effects on heat, light or electromagnetic radiation described and where appropriate quantified?			
4.13	Are direct, primary effects on material assets and depletion of non-renewable natural resources (e.g. fossil fuels, minerals) described?			
4.14	Are direct, primary effects on locations or features of cultural importance described?			
4.15	Are direct, primary effects on the quality of the landscape and on views and viewpoints described and where appropriate illustrated?			
4.16	Are direct, primary effects on demography, social and socio-economic condition in the area described and where appropriate quantified? on of secondary, temporary, short-term, pe			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
4.17	Are secondary effects on any of the above aspects of the environment caused by primary effects on other aspects described and where appropriate quantified? (e.g. effects on fauna, flora or habitats caused by soil, air or water pollution or noise; effects in uses of water caused by changes in hydrology or water quality; effects on archaeological remains caused by desiccation of soils)			
4.18	Are temporary, short term effects caused during construction or during time limited phases of project operation or decommissioning described?			
4.19	Are permanent effects on the environment caused by construction, operation or decommissioning of the project described?			
4.20	Are long term effects on the environment caused over the lifetime of project operations or caused by build up of pollutants in the environment described?			
4.21	Are effects which could result from accidents, abnormal events or exposure of the project to natural or man-made disasters described and where appropriate quantified?			
4.22	Are effects on the environment caused by activities ancillary to the main project described? (ancillary activities are part of the project but usually take place distant from the main project location; e.g. construction of access routes and infrastructure, traffic movements, sourcing of aggregates or other raw materials, generation and supply of power, disposal of effluents or wastes)			
4.23	Are indirect effects on the environment caused by consequential development described? (consequential development is other projects, not part of the main project, stimulated to take place by implementation of the project e.g. to provide new goods or services needed for the project, to house new populations or businesses stimulated by the project)			
4.24	Are cumulative effects on the environment off the project together with other existing or planned developments in the locality described? (different future scenarios			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
NO.	including a worst case scenario should be			Information needed?
	described)			
4.25	Are the geographic extent, duration,			
4.20	frequency, reversibility and probability of			
	occurrence of each effect identified as			
	appropriate?			
Predicti	on of effects on human health and sustainable	e develop	oment iss	ues
4.26	Are primary and secondary effects on	ľ		
	human health and welfare described and			
	where appropriate quantified? (e.g. health			
	effects caused by release of toxic			
	substances to the environment, health risks			
	arising from major hazards associated with			
	the project, effects caused by changes in			
	disease vectors caused by the project,			
	changes in living conditions, effects on			
	vulnerable groups)			
4.27	Are impacts on issues such as biodiversity,			
	global climate change and sustainable			
E. alvet	development discussed where appropriate?	fan Frid		innifia an a af lunn a sta in
	on of the significance of effects (See <i>Criteria</i> ire for Scoping)	IOF EVAI	uating S	gnincance of impacts in
4.28	Is the significance or importance of each			
4.20	predicted effect discussed in terms of its			
	compliance with legal requirement and the			
	number, importance and sensitivity of			
	people, resources or other receptors			
	affected?			
4.29	Where effects are evaluated against legal			
	standards or requirements are appropriate			
	local, national or international standards			
	used and relevant guidance followed?			
4.30	Are positive effects on the environment			
	described as well as negative effects?			
4.31	Is the significance of each effect clearly			
Impost	explained?			
	explained? assessment methods			
Impact a 4.32	explained? assessment methods Are methods used to predict effects			
	explained? assessment methods Are methods used to predict effects described and are the reasons for their			
	explained? assessment methods Are methods used to predict effects described and are the reasons for their choice, any difficulties encountered and			
4.32	explained? assessment methods Are methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed?			
	explained? assessment methods Are methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed? Where there is uncertainty about the			
4.32	explained? assessment methods Are methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed? Where there is uncertainty about the precise details of the project and its impact			
4.32	explained?assessment methodsAre methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed?Where there is uncertainty about the precise details of the project and its impact on the environment are worst case			
4.32	explained? assessment methods Are methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed? Where there is uncertainty about the precise details of the project and its impact on the environment are worst case predictions described?			
4.32	explained?assessment methodsAre methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed?Where there is uncertainty about the precise details of the project and its impact on the environment are worst case predictions described?Where there have been difficulties in			
4.32	explained? assessment methods Are methods used to predict effects described and are the reasons for their choice, any difficulties encountered and uncertainties in the results discussed? Where there is uncertainty about the precise details of the project and its impact on the environment are worst case predictions described?			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
110.	results discussed?			Information needed i
4.35	Is the basis for evaluating the significance			
4.00	or importance of impacts clearly described?			
4.36	Are impacts described on the basis that all proposed mitigation has been implemented? i.e. are residual impacts described?			
4.37	Is the level of treatment of each effect appropriate to its importance for the development consent decision? Does the discussion focus on the key issues and avoid irrelevant or unnecessary information?			
4.38	Is appropriate emphasis given to the most severe, adverse effects of the project with lesser emphasis given to less significant effects			
Any othe	r questions relevant to description of E&S e	ffects		
SECTION	5: DESCRIPTION OF MITIGATION MEASUR	RES		
5.1	Where there are significant adverse effects			
	on any aspect of the environment is the potential for mitigation of these effects discussed?			
5.2	Are any measures which the developer proposes to implement to mitigate effects clearly described and their effect on the magnitude and significance of impacts clearly explained?			
5.3	If the effect of mitigation measures on the magnitude and significance of impacts is uncertain is this explained?			
5.4	Is it clear whether the developer has made a binding commitment to implement the proposed mitigation or that the mitigation measures are just suggestions or recommendations?			
5.5	Are the developer's reasons for choosing the proposed mitigation explained?			
5.6	Are responsibilities for implementation of mitigation including funding clearly defined?			
5.7	Where mitigation of significant adverse effects is not practicable or the developer has chosen not to propose any mitigation are the reasons for this clearly explained? Is it evident that the EA/SA Team and the			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
	developer have considered the full range of			
	possible approaches to mitigation including			
	measures to reduce or avoid impacts by			
	alternative strategies or locations, changes			
	to the project design and layout, changes to			
	methods and processes, "end of pipe"			
	treatment, changes to implementation plans			
	and management practices, measures to			
	repair or remedy impacts and measures to			
	compensate impacts?			
5.9	Are arrangements proposed to monitor and manage residual impacts?			
5.10	Are any negative effects of the proposed mitigation described?			
Any othe	r questions on mitigation measures			
	6: NON-TECHNICAL SUMMARY			
6.1	Does the EAR/SAR include a Non- Technical summary?			
6.2	Does the summary provide a concise but			
	comprehensive description of the project, its			
	environment, the effects of the project on			
	the environment and the proposed mitigation?			
6.3	Does the summary highlight any significant			
	uncertainties about the project and its E&S effects?			
6.4	Does the summary explain the development			
	consent process for the project and the role of EA/SA in this process?			
6.5	Does the summary provide an overview of			
0.0	the approach to the assessment?			
6.6	Is the summary written in non-technical			
010	language, avoiding technical terms, detailed			
	data and scientific discussion?			
6.7	Would it be comprehensible to a lay			
	member of the public?			
Any othe	r questions on non-technical summary			
SECTION	7: QUALITY OF PRESENTATION			
7.1	Is the EAR/SAR available in one or more clearly defined documents?			
7.2	Is the document(s) logically organized and			

No.	Review Question	Relevant?	Adequately addressed?	Any further information needed?
	clearly structured so that the reader can locate information easily?			
7.3	Is there a table of contents at the beginning of the document(s)			
7.4	Is there a clear description of the process which has been followed?			
7.5	Is the presentation comprehensive but concise, avoiding irrelevant data and information?			
7.6	Does the presentation make effective use of tables, figures, maps, photographs and other graphics?			
7.7	Does the presentation make effective use of annexes or appendices to present detailed data not essential to understanding the main text?			
7.8	Are all analyses and conclusions adequately supported with data and evidence?			
7.9	Are all sources of data properly referenced?			
7.10	Is consistent terminology used throughout the document(s)?			
7.11	Does it read as a single document with cross referencing between sections used to help the reader navigate through the document(s)?			
7.12	Is the presentation demonstrably fair and as far as possible impartial and objective?			
Any othe	er questions on non-technical summary			

Overall Appraisal of the EAR/SAR

Review Topic	Grade	Comment
Description of the project		
Alternatives		
Description of the environment likely to be affected by the project		
Description of the likely significant effects of the project		
Description of mitigating measures		
Non-technical summary		
Quality of presentation		
assessment:	•	
nts:		
	Description of the project Alternatives Description of the environment likely to be affected by the project Description of the likely significant effects of the project Description of mitigating measures Non-technical summary	Description of the project Alternatives Description of the environment likely to be affected by the project Description of the likely significant effects of the project Description of mitigating measures Non-technical summary Quality of presentation assessment:

ANNEX E-12: OUTLINE FOR AN ENVIRONMENTAL IMPACT ASSESSMENT REPORT FOR CATEGORY A SUBPROJECTS FUNDED BY A DEVELOPMENT FINANCIAL INSTITUTION

1. An environmental assessment report is required for all environment category A and B investments. Its level of detail and comprehensiveness is commensurate with the significance of potential environmental impacts and risks. A typical EIA report contains the following major elements, and an IEE may have a narrower scope depending on the nature of the investment. The substantive aspects of this outline will guide the preparation of environmental impact assessment reports, although not necessarily in the order shown.

A. Executive Summary

2. This section describes concisely the critical facts, significant findings, and recommended actions.

B. Policy, Legal, and Administrative Framework

3. This section discusses the applicable safeguard requirements, including development financial institutions (DFIs) (see footnote below)¹ requirements and national laws, regulations and standards on environment, health, safety, involuntary resettlement and land acquisition, indigenous peoples, and physical cultural resources.

C. Description of the Subproject

4. This section describes the proposed investment; its major components; and its geographic, ecological, social, and temporal context, including any associated facility required by and for the investment (for example, access roads, power plants, water supply, quarries and borrow pits, and spoil disposal). It normally includes drawings and maps showing the investment's layout and components, the investment site, and the investment's area of influence.

D. Description of the Environment (Baseline Data)

5. This section describes relevant physical, biological, and socioeconomic conditions within the study area. It also looks at current and proposed development activities within the investment's area of influence, including those not directly connected to the investment. It indicates the accuracy, reliability, and sources of the data.

E. Anticipated Environmental Impacts and Mitigation Measures

6. This section predicts and assesses the investment's likely positive and negative direct and indirect impacts to physical, biological, socioeconomic (including occupational health and safety, community health and safety, vulnerable groups and gender issues, and impacts on livelihoods through environmental media, and physical cultural resources in the investment's area of influence, in quantitative terms to the extent possible; identifies mitigation measures and any residual negative impacts that cannot be mitigated; explores opportunities for enhancement; identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions and specifies topics that do not require further attention; and examines global, trans-boundary, and cumulative impacts as appropriate.

¹ The safeguard requirements outlined here pertains to ADB. Other DFIs also have similar requirements.

F. Analysis of Alternatives

7. This section examines alternatives to the proposed investment site, technology, design, and operation—including the no investment alternative—in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. It also states the basis for selecting the particular investment design proposed and, justifies recommended emission levels and approaches to pollution prevention and abatement.

G. Information Disclosure, Consultation, and Participation

8. This section:

- (i) describes the process undertaken during investment design and preparation for engaging stakeholders, including information disclosure and consultation with affected persons and other stakeholders;
- (ii) summarizes comments and concerns received from affected persons and other stakeholders and how these comments have been addressed in investment design and mitigation measures, with special attention paid to the needs and concerns of vulnerable groups, including women, the poor, and Indigenous Peoples; and
- (iii) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for carrying out consultation with affected persons and facilitating their participation during investment implementation.

H. Grievance Redress Mechanism

9. This section describes the grievance redress framework (both informal and formal channels), setting out the time frame and mechanisms for resolving complaints about environmental performance.

I. Environmental Management Plan

10. This section deals with the set of mitigation and management measures to be taken during investment implementation to avoid, reduce, mitigate, or compensate for adverse environmental impacts (in that order of priority). It may include multiple management plans and actions. It includes the following key components (with the level of detail commensurate with the investment's impacts and risks):

- (i) Mitigation:
 - (a) identifies and summarizes anticipated significant adverse environmental impacts and risks;
 - (b) describes each mitigation measure with technical details, including the type of impact to which it relates and the conditions under which it is required (for instance, continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; and
 - (c) provides links to any other mitigation plans (for example, for involuntary resettlement, Indigenous Peoples, or emergency response) required for

the investment.

- (ii) Monitoring:
 - (a) describes monitoring measures with technical details, including parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits and definition of thresholds that will signal the need for corrective actions; and
 - (b) describes monitoring and reporting procedures to ensure early detection of conditions that necessitate particular mitigation measures and document the progress and results of mitigation.
- (iii) Implementation arrangements:
 - (a) specifies the implementation schedule showing phasing and coordination with overall investment implementation;
 - (b) describes institutional or organizational arrangements, namely, who is responsible for carrying out the mitigation and monitoring measures, which may include one or more of the following additional topics to strengthen environmental management capability: technical assistance programs, training programs, procurement of equipment and supplies related to environmental management and monitoring, and organizational changes; and
 - (c) estimates capital and recurrent costs and describes sources of funds for implementing the environmental management plan.
- (iv) Performance indicators: describes the desired outcomes as measurable events to the extent possible, such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods.

J. Conclusion and Recommendation

11. This section provides the conclusions drawn from the assessment and provides recommendations.

ANNEX E-13: CHECKLIST OF DOCUMENTATION REQUIRED FOR PREPARATION OF ENVIRONMENT AND SOCIAL SAFEGUARD DUE DILIGENCE REPORT UNDER TAKEOUT FINANCE SCHEME

A. Environmental Safeguards Related Requirement

1. Environment safeguards related documents required for any post-COD project are as follows (if available):

- (i) copy of EIA-EMP report
- (ii) copy of operation and maintenance agreement
- (iii) copy of various clearances like (environmental clearance, forest clearance, CRZ clearance, wildlife clearance, if applicable, tree cutting permission and NOC) from various authorities like MoEF, SPCB, other state level regulatory authorities etc. or status of applicable permits taken during pre-construction, construction and operation phase
- (iv) details of public hearing proceedings (minutes of public hearing and newspaper cuttings of public hearing notification)
- (v) six monthly compliance reports submitted to MoEF for compliance of EC letter conditions
- 2. Status of post-construction phase activities:
 - (i) number of tree felling due to project, compensatory afforestation status, any gap or improvement
 - (ii) rehabilitation of borrow areas
 - (iii) soil erosion control measures, embankment protection measures
 - (iv) redevelopment of quarry areas
 - (v) restoration of camp sites and plant sites
 - (vi) any enhancement of community assets
 - (vii) provision of any facility out of public demand
- 3. Safeguards compliance status during operation phase activities:
 - (i) compliance status of environment management plan during operation phase
 - (ii) Environmental Quality Monitoring Reports during operation phase
 - (iii) Institutional arrangement in place for implementation and monitoring of EMP;
 - (iv) Emergency Preparedness and Response Plan during Operation Phase
 - (v) Plantation Maintenance measures
 - (vi) Impact on sensitive receptors
 - (vii) Adequate Traffic Management Measures (in case of road projects)
 - (viii) Accident/Incident data report along with remedial measures
 - (ix) Health and Work Safety measures
 - (x) Community severance issues, if any

B. Social Safeguards Related Requirement

- 1. Document required: copy of SIA/RAP report, if available
- 2. Following details are required for social safeguards for the project (post COD):

- (i) any pending litigation case of land acquisition;
- (ii) any indigenous people/Tribal people affected due to project;
- (iii) any compensation related issues;
- (iv) any displacement of people;
- (v) local employment generated during construction as well as operation phase;
- (vi) any grievances pending and grievance redressal mechanism;
- (vii) Details of any special effort taken by project developer or project facility provided(like underpasses, service road etc.) due to public demand; and
- (viii) CSR activities undertaken.

ANNEX E-14: SUGGESTED OUTLINE OF ENVIRONMENTAL DUE DILIGENCE REPORT FOR SUBPROJECTS

I. Introduction

1. Investment description: investment title, type of investment, location and setting, amount, size (production capacity, number of staff, etc.)

2. Environmental categorization and rationale

3. Applicable Environmental Requirements. See Section II B of [Name of Fund]'s ESMS)

II. Scope of Review and Methodology

1. Documents reviewed (e.g., environmental assessment reports, Environmental Management Plans, or environmental compliance audit reports, copies of permits/licenses)

2. Methodology adopted (site visit, inspection report, etc.)

III. Compliance and liability (by relevant safeguard requirements applicable for the specific investment, examine environmental issues and compliance)

1. Examine issues in terms of environmental, impacts, mitigation measures to address these issues (or corrective action plan for existing facilities) and compliance status with applicable ADB environmental safeguard requirements and national laws, regulations, and standards:

- (i) Environmental Safeguards
 - appropriate identification of major anticipated environmental impacts and risks
 - adequacy of environmental assessment (for category A investments, including the adequacy of alternative analysis)
 - compliance status with applicable requirements on (a) information disclosure, (b) consultation with affected persons and other stakeholders, (c) occupational and community health and safety, biodiversity conservation and sustainable natural resource management, and physical cultural resources
 - adequacy of mitigation measures and EMP (mitigation measures, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any
- (ii) Adequacy of grievance redress mechanism arrangements
- 2. Recommend mitigation measures, or corrective action plans, if gaps are identified

3. For existing facilities including investments under construction, examine whether the investee company paid pollution charges or fines/penalties for non-compliance in the last two years in accordance with national laws, whether the investee company is exposed to potentially significant liabilities, such as those arising from known or suspected land/groundwater contamination, major accidents and incidents related to the company's past or ongoing

operations, and state further actions required/planned by the investee, in particular actions to address any non-compliance problems and liabilities. Also examine whether there are complaints from the public or local communities on the investee company's environmental performance.

4. State any risk control or mitigation measures to be taken by the investment, such as conditions, loan covenants or monitoring and reporting requirements

IV. Other investment specific issues, if any

V. Conclusion and Recommendations

ANNEX E-15: SUGGESTED SCOPE FOR PERIODIC ENVIRONMENTAL AND SOCIAL MONITORING REPORT FOR SUBPROJECTS TO BE SUBMITTED BY BORROWERS

A. Investment Name and Summary Information

- (i) Location
- (ii) Scale/size/capacity
- (iii) Reporting period covered by this monitoring report (month/year)
- (iv) Specification of investment stage (design, construction, operation or closure stage)
- (v) Key developments and any major changes in investment location and design, if any

B. Relevant Environmental Permits or Compliance Certificates

- (i) Issued by government agency(ies) (include name of agency)
- (ii) Issuance dates and duration of validity
- (iii) Permit conditions and renewal requirements
- (iv) Six-monthly report submitted to MoEF in compliance of the conditions of Environment Clearance letter.
- (v) Other standards and/or certificates (e.g., ISO 14000 Environmental Management Systems and Standards)
- (vi) Gazette Notifications for land acquisition
- (vii) ROW land hand Over letter from NHAI(in case of highway projects)

C. Grievance Redress Mechanism

- (i) Date established and description of organizational arrangements
- (ii) Complaints, grievance, or protests received from local communities, recorded dates and organizations involved, actions taken to resolve grievances; any outstanding issues and proposed measures for resolution

D. Occupational and Community Health and Safety

- (i) Training programs carried out
- (ii) Incidents¹ recorded, including date, scale of damage and injury², if any; authorities in charge of investigation/recording, and media or community reactions, if any; action taken to respond to the incident; and any outstanding issues and proposed measures
- (iii) Analysis of major accidents or incidents during project implementation with details of measures introduced to prevent recurrence
- (iv) Other health and safety events or out-reach activities and implementation status of health, safety, Environment Plan, copy of HSE Policy,

E. Environmental and Social Management Capacity

¹ Including incidents that have caused damage on the environment or to human health, and/or attached attention of outside parties (e.g., fire, explosion, chemical or oil spill, and pollution release).

² Including fatalities, serious injures (requiring emergency treatment or hospitalization), lost time accidents (requiring more than one day off work to recover), and incidents involving compensation claims.

- (i) Number of staff, qualifications and experience in environmental management and social management
- (ii) Frequency of Environmental & Social monitoring/supervision/audit by subproject team to the site
- (iii) Awareness of (a) environmental issues, (b) health and safety, (c) national environmental and social laws and regulations, and (d) applicable ADB's environmental and social safeguard requirements
- (iv) Training programs carried out
- (v) Assessment of environmental and social management capacity needs (including planned capacity building programs)

F. Stakeholder Consultation

- (i) Details of information disclosure and consultations, if any, with affected persons, local communities, civil society groups, and other stakeholders during implementation and operation phase
- (ii) Details of approach/methodology on addressing the concerns and issues raised at consultations

G. Compliance with Applicable Environmental Safeguard Requirements as Defined in Section F of the EMS

Implementation of EMP/RAP/Emergency Preparedness and response Plan (citing changes in the EMP/RAP, where warranted) at construction or operation phase, focusing on mitigation measures and monitoring program. Attach copies of EMP compliance as well as Environmental monitoring reports. If standards or thresholds are exceeded, specify the corrective actions implemented or to be implemented. Adequacy of EMP/RAP budget and its expenditure status as on date. Implementation status of RAP and utility shifting mentioning land acquisition status and status of compensation payment to the affected people including encroachers & squatters, total number of project affected people/families, number of affected ST families and the additional assistance provided to them, details of the affected Public properties and initiatives taken for their relocation/ compensation.

H. Other Information and Feedback

Please list any other information that may relate to environmental and social matters, community initiatives within your company, positive media or NGO attention, training activities, management system initiatives or cost savings through process efficiency, environment-friendly and socially viable processes.

Name and Signature

Name:	Date:
Position:	Phone:
Signature:	E-mail:

ANNEX E-16: AUDIT RECORDING SHEET TO REPORT IMPLEMENTATION OF ENVIRONMENTAL SAFEGUARD SYSTEMS AT IIFCL (The form will continue for the project life)

A. SUB PROJECT BACKGROUND INFORMATION I. Name of Sub-Project: 2. Name of Concessionaire / SPV: 3. Name of Lead Bark and other Co-Lenders 4. Contact Details: ESMU / IIFCL 5. Location: 6. Sector / Sub-Sector: 7. Sub-loan: US\$ 8. Status of implementation: 9. What policies of DFI on safeguards cover this subproject? ¹ 10. Safeguard category: 11. Were any environmental and social due diligence undertaken by IIFCL? 12. Number of IIFCL safeguard site visits 13. Milestones Audited in Previous Years 14. Products Placed for Audit in the Current Year 8. MEMO TO BOARD 1. What are the significant environmental and social issues identified in Memo to Board? 2. Does the Memo adequately flag mandatory requirements for environmental and social compliance? Are all compliance conditions fully met prior sending Memo to the Board? C. ENGAGERENT DOCUMENTS WITH LEAD BANK / SPV 1. Any environmental assessment report (including environmental management plan), involuntary resettlement plan, or Indigenous Peoples plan, or audit reports reviewed 2. Is IIFCL'S ESSF included as mandatory requirement in legal documents? 3. Do the legal documents reflect EMP in an implementable and verifiable form? 4. Are the EMP requirements adequately covered	Reporting Period	
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5. Were the applicable environmental and social safeguard requirements and their		
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	implementation discussed with the	
concessionaire?	concessionaire?	

Reporting Period	
6. Were any conditions or covenants related to environmental and social issues made along with the sub loan (e.g. concession document, construction agreement)?	
7. Has the concessionaire/Lead Bank implemented the Environmental Management Plan (EMP), resettlement plan (RP) or Indigenous Peoples Plan (IPP), were applicable, before or during construction and/or operation?	
8. Does the subproject comply with the applicable government requirements (e.g., environmental clearance was issued, applicable permits and licenses issued, etc.)?	
9. Are all significant environmental issues covered and well flagged in the EMP?10. Was Public Hearing if applicable conducted	
as per EIA Notification of MoEF? 11. Have outcomes of Public Hearing appropriately reflected in the EMP?	
12. Is the EMP adequately costed and reflected so in the financial appraisal?	
D. EMP IMPLEMENTATION	
 Is environmental and social monitoring conducted as specified in the EMP/RP/IPP? What are IIFCL's observations on the monitoring results? 	
2. Is the concessionaire/Lead Bank submitting safeguard monitoring reports to IIFCL on a regular basis?	
3. For category A subprojects, were safeguards-related documents such as EIA, RP and IPP, or audit reports made publicly available, in addition to posting on DFI's website?	
4. Were there major accidents or incidents during project implementation? What measures were introduced to prevent recurrence?	
5. What key safeguard issues or complaints from affected people were identified? What were the recommendations for improvement?	
6. What are the outstanding safeguard requirements for follow up or corrective action plan (CAP) to be prepared by the concessionaire or Lead Bank, if any?	
7. Is the subproject compliant with applicable national/local environmental requirements?	
8. Is the subproject compliant with DFI's environmental assessment requirements?	

Reporting Period	
9. Has the Lead Bank / Subproject Developer	
implemented all the EMP measures covered	
in the contracts?	
10. Has the agency for environmental	
monitoring been appointed?	
11. Observations on environmental monitoring,	
interpretation and reporting:	
12. Complaints received from the public were	
resolved or needing follow-up action;	
13. Deployment of staff to monitor	
implementation of environmental mitigation	
measures from the contractor,	
concessionaire and NHAI.	
14. Is the Lead Bank/Subproject Developer	
submitting reports to IIFCL and other	
lenders on a regular basis?	
15. Observations on the EMP monitoring	
mechanism	
16. Are there any new environmental issues	
identified during project implementation,	
and/or after technical closure? If so, how are	
these issues addressed?	
17. Has the Lead Bank/Subproject Developer	
taken note of the new issues and	
implemented appropriate mitigation	
measures	
E Conclusion on environmental safeguard	
compliance status of subproject	

Summary of Environmental Safeguards Compliance in Matrix Format

No.	Company Name	Subproject Name	Environmental Safeguard Due Diligence	Compliance Status vis-à-vis DFI Safeguard Policies	Social Safeguard Compliance Monitoring and Review by DFI	Action Required by IIFCL to Ensure Compliance

ANNEX E-17: OUTLINE FOR A PERIODIC ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT FOR SUBPROJECTS (INDICATIVE FORMAT)

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes. IIFCL is required to submit the periodic performance report to DFIs (see footnote below)². This format is only for guidance and could be improved.

Name of Organization		
Completed by (name):		
Position in organization:		
Reporting period	From:	

A. Environmental and Social Management System (ESMS)

Policies & Processes	Yes/No	
Has your organization developed and implemented an ESMS?		If yes, please attach a copy of the ESMS to this report. Please indicate the date that the ESMS was established.
If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting period?		If yes, please provide a copy of the updates including dates and reasons for the same.
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Has your organization appointed staff tasked to implement the ESMS?		IF yes, please provide information on number of staff and qualification (experience and education backgroud) to implment the ESMS.
Please give details of any transactions rejected due to environmetnal and/or social concerns.		
Please state any difficulties and/or constraints related to the implementation of the ESMS.		
Please describe how you ensure that your clients and their investments are operated in compliance with the national laws and regulations and applicable DFI's safeguard requirements.		
Please give details of any material social and environmental issues associated with clients during the reporting period in particular.		
In case the existing ESMS is not fully funcional, what are the action plan beining implemented by your organization?		Please provide information or cite recommendation made by DFI's review mission to improve the ESMS and its implementation.
Capacity	Yes/No	

² Reporting requirements outlined here pertained to ADB. Other DFIs also have similar requirements.

Please provide the name and contact information of the senior staff who has the overall responsibility for the implementation of ESMS.Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.What was the budget allocated to the ESMS and its implementation during the year?Monitoring	Please describe the training or learning activities the Environmental/Social Officer or Coordinator attended during the year. Please describe the training provided to the ESMS persons and other team members during the year. Please provide budget details including staff costs and training as well as any actual costs.
Do you receive environmental and social monitoring reports from Lead Banks/Borrowers? Do you check for ongoing compliance of your clients with national regulation and any other requirements? Please describe how you monitor the clients and their invesetments' social and environmental performance.	If yes, please describe and provide supporting documents including any social and environmental considerations if applicable. If yes, please describe the process including any social and environmental considerations if applicable. Please describe and provide supporting documents such as environmental and social monitoring reports and please provide information on the number of subprojects where a field visit was conducted by staff to review aspects including social and environmental issues.
 Please provide details of any accidents/ litigation/complaints/regulatory notices and fines: Any incidents of non-compliance with the applicable Environmental and Social Requirements Covenants/conditionalities imposed by IIFCL to the client as a result of any non-compliance Reporting 	
Is there an internal process to report on social and environmental issues to Senior management? Do you prepare any social and environmental reports: - For other multilateral agencies - Other stakeholders - E&S reporting in the Annual Report - Sustainability reports	If yes, please explain the process, reporting format and frequency and actions taken if any. If yes, please provide copies of these reports.

Activities on DFI's Prohibited Investment Activities List				
If any, please indicate the dollar percentage of loans or				

investments out of your total outstanding exposure provided to clients who are substantially involved in DFI's Prohibited Investment Activities List (Refer to Attachment 1).	%
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.	

C. Subprojects Using DFI Funds

Please provide information about all new investments using DFI funds approved during this reporting period.

Name of Subproject:	
Location:	
Sector:	
Total loan from IIFCL/DFI (US\$ mn):	
Safeguard category:	Environment:
(Annex E-3)	Involuntary Resettlement:
	Indigenous Peoples:
Were any environmental and social due diligence	If yes, provide information on due diligence
undertaken and by your organization?	activities, such as desk review of safeguard
	documents, and field visit, and by whom.
Any environmental assessment report (including	If yes, please provide the names of
environmental management plan), involuntary resettlement	documents reviewed.
plan, or indigenous peoples plan, or audit reports reviewed	
by your organization?	
What were the main environmental, involuntary	
resettlement and indigenous peoples issues associated	
with this subproject that were identified through due	
diligence conducted by your organization, and how were	
the issues dealt with (i.e., outcome of due diligence)?	
Did you discuss with the Lead Bank the applicable	
environmental and social safeguard requirements and their	
implementation?	
For category A subproject, were safeguards related	If yes, please provide website link and the
documents such as EIA, RP and IPP, or audit reports made	date the documents were uploaded.
publicly available, in addition to posting on ADB's website?	
Were any conditions or covenants related to environmental	If yes, please briefly describe.
and social issues made along with the investment?	
Does the investment comply with applicable government	
requirements?	
Does the investment comply with applicable DFI safeguard	
requirements?	

ANNEX E-18: TERMS OF REFERENCE FOR DETAILED ENVIRONMENTAL IMPACT ASSESSMENT OF HIGH IMPACT CATEGORY HIGHWAY SUB-PROJECTS¹

I. General

1. Subproject environment assessment (EA) is the stage when more thorough assessments are done. It includes carrying out detailed surveys, analysis of data, assessment of impacts and corresponding mitigation and/or enhancement measures, and preparing various reports that include the detailed EAR and Environment Management Plans (EMPs). The consultants shall carry out the subproject EA based on the revised terms of reference (TOR) which is the outcome of the scoping process (as described in the attachment "The Scoping Process and Corresponding Outputs" in this index). The work plans and methods employed shall be as per those described in the scoping report.

2. **Baseline surveys.** The consultants will (i) collect information from secondary sources that are relevant to understanding the baseline, as well as design and mitigation of enhancement measures, as pertaining to physical, biological and socio-cultural environments; (ii) carry out site visits and investigations of all environmentally sensitive locations and document them on base maps to identify conflict point with preliminary designs (including verification of these from authentic sources of information, such as from revenue and forest records, etc.); and (iii) prepare detailed specific maps showing details of candidate sites for environmental enhancements.

3. Additional baseline surveys. The consultants shall collect information on the existing environmental scenario from secondary sources, and identify gaps to be filled, relevant to the environmental screening needs from primary surveys. The consultants shall survey the environmentally sensitive locations on and along the sub-project road, as well as within the subproject's influence area. The consultants shall extensively use the video and other records of the project road (carried out as part of engineering surveys). All regionally and nationally recognized environmental resources and features within the subproject's influence area shall be clearly identified and studied in relation to the activities proposed. Typically, these will include stretches with significant roadside trees, environmental and common property resources such as forests, large water bodies, and major physical cultural properties. All these may be depicted using a line diagram or a strip map.

4. All surveys will be carried out in compliance with Government of India's standards/guidelines/norms. Wherever such guidelines/norms are unavailable, the techniques, tools and samples employed for the surveys shall conform to international practices. Whenever directly relevant secondary data is available, these should be used, while indirectly relevant data should be verified through primary survey. Environmental quality (air, water, and noise) monitoring shall include an adequate number of samples, as established on a sampling network, so as to provide a representative sample of the entire subproject corridor. Additional sample data for sensitive environmental/ecological receptors, if any, shall be collected such as to analyse and predict the possible impacts to a large degree and precision of acceptable professional standards. Further, additional specialized surveys, such as biodiversity assessment survey, and/or hydrological surveys shall be conducted, if and when recommended by environmental scoping. It is recommended that environmental surveys be coordinated with social and engineering surveys as far as practical.

¹ Adapted from "Management of Environmental and Social Issues in Highway Projects in India" by the World Bank

5. The consultants shall also collect information on the various prevailing environmental and forest laws/regulations so as to carry out the subproject EA in conformity with these.

6. **Stakeholder consultation.** The consultants shall undertake community consultation sessions at the state, district, village and road-side community levels. The objective of these sessions shall be to improve the subproject's interventions with regard to environmental management. At least two rounds of consultations shall be carried out–the first to seek views from the stakeholders on environmental issues and ways that these could be resolved, and the second to provide feedback to stakeholders that their views have been taken into account for the sub-project (when the EMPs are nearly complete). Following this the final feedback received shall be analysed, and the consultants shall determine how these shall be addressed in the Final EMP and subproject designs. The consultants shall coordinate the entire consultation programme with social and engineering consultants.

7. **Environmental analysis of alternatives.** As the overall highway alignments are final at this stage, the environmental analysis of alternatives shall focus on location-specific issues relating to cross-sections, materials and their sources from an environmental management perspective. This analysis shall also cover comparisons in relation to siting, design, technology selection, construction techniques and phasing, and operating and maintenance procedures.

8. **Impact prediction and management.** The consultants shall determine the potential impacts due to the subproject through identification, analysis and evaluation on sensitive areas (natural habitats, sites of historic, cultural, and conservation importance), urban settlements and villages/agricultural areas. These should be classified as significant positive and negative impacts, immediate and long-term impacts, and unavoidable and reversible impacts

9. For each impact predicted, feasible and cost-effective mitigation measures shall be identified to reduce potentially significant averse environmental impacts to acceptable levels. The capital and recurring costs of the measures, and the institutional training and monitoring requirements to effectively implement these measures shall be determined. The consultants shall explore and recommend environmental enhancements including roadside landscaping, separation of non-motorized lanes in an aesthetically appealing manner, provision of pilgrimage pathways, and development of cultural properties, and improving access along the corridor. At this stage, it would be important to identify issues that cannot be dealt with during the subproject preparation stage, but should be undertaken during the implementation stage.

10. **Institutional arrangements to manage environmental impacts effectively.** The consultants shall identify institutional and organisational needs to implement the recommendations of the subproject EA, and to propose steps to strengthen/expand them if needed. This may extend to new agency functions, inter-sectoral arrangements, management procedures and training, staffing, operation and maintenance, training and budgeting.

11. **Training of staff.** The consultants shall develop and implement a plan for training the India Infrastructure Finance Company Limited (IIFCL) staff. This plan must specify types of training, participants for each type, number of sessions, duration of each session and when they should be conducted. At the end of the training, when the draft EMPs are ready, brief reports shall be prepared on the training conducted and observations relevant for future training, if any.

12. **Other assistance to be provided by the consultants**. The consultants shall support IIFCL to furnish any relevant information required for obtaining clearance from several state and central government agencies. These may include (i) assistance in the submission of application

for clearance of reserved or protected forests to the Forest Department, (ii) completion of forms and submission of the same for obtaining no-objection certificates (or NOCs) under the Water and Air Acts from SPCBs, (iii) completion and submission of the MoEF questionnaire for environmental appraisal of the subproject, (iv) assistance in presentation to the Wildlife Board of the MoEF in obtaining clearance for the section of the corridor passing through wildlife reserves or sanctuaries and other protected areas (if any), and (v) assistance in submission of any other clearance requirements with regard to environmental components relevant to the subproject.

13. The consultants shall discuss and co-ordinate with the engineering and social consultants, the findings and recommendations of the subproject EA in a *continuous manner*. The consultants shall then prepare an EAR, which will be revised in consideration of the comments of IIFCL and the concerned MDB (if any).

14. **Environmental management plans.** Based on the predicted environmental impacts, separate EMPs, for each construction contract package, shall be prepared in such a manner that they can be incorporated in the bidding/contract documents. The EMP shall be prepared to fulfil all the requirements of the Government of India, and at the minimum, shall meet the requirements of the concerned MDB. The EMP shall also include a list of design modifications recommended by the subproject EA along with the road chainages.

Environmental mitigation and enhancement measures. The EMP shall describe 15. feasible and cost-effective measures to prevent or reduce significant negative impacts to acceptable levels. Apart from mitigation of potential adverse impacts on environmental components, the EMP shall identify opportunities that exist for enhancement of environmental quality along the corridor. This shall include the enhancement of specific locations as water bodies, enhancement of scenic areas along the corridor, etc. residual impacts from environmental measures shall also be clearly identified. The EMP shall include specific or sample plans for common road construction-related activities, such as the management and redevelopment of guarries, borrow areas and construction camps, and good practice guides related to construction and upkeep of plant and machinery. The EMP shall include detailed specification, bill of quantities, execution drawings and contracting procedures for execution of the environmental mitigation and enhancement measures suggested, separate for preconstruction, construction and operation periods. Responsibilities for execution and supervision of each of these mitigation and enhancement measures shall be specified in the EMP. A plan for continued consultation to be conducted during the implementation stage of the subproject shall also be prepared.

16. **Capacity building and training.** The EMP shall describe the implementation arrangement for the subproject, especially the capacity building proposals including the staffing of the environmental unit (as and when recommended) to implement the environmental mitigation and enhancement measures. For each staff position recommended to be created, detailed job responsibilities will be defined. Equipment and resources required for the environmental unit shall be specified, and bill of quantities be prepared. A training plan and schedule shall be prepared specifying the target groups (environmental unit, supervision consultants, and contractors) for individual training programmes, the content and mode of training.

17. **Monitoring and Reporting**. The EMP shall specify the environmental supervision, monitoring and auditing requirements. The monitoring programme shall specify parameters, reference standards, monitoring methods, frequency, duration, location, reporting responsibilities, and any other necessary inputs (e.g. training). In addition, the programme will

specify what actions shall be taken and by whom in the event that the proposed mitigation measures fail, either partially or totally, to achieve the level of environmental protection expected. Customised formats for reporting on the progress of EMP activities to different stakeholders shall be prepared and included in the EMPs.

18. Each EMP shall list all mandatory government clearance conditions and the status of procuring the clearances. Additionally, the EMPs shall include as separate attachments, if applicable, natural habitat plan and/or cultural properties plan, etc. to satisfy the requirements of MDB (if any) policies.

19. Each EMP shall provide a summary description of where and how the recommendations of EA and EMP are made part of the subproject's design, construction schedule, and all contract documents.

ANNEX E-19: PUBLIC CONSULTATION PROCESS DEFINED BY MINISTRY OF ENVIRONMENT AND FOREST'S ENVIRONMENTAL IMPACT ASSESSMENT NOTIFICATION, 2006 AND VARIOUS AMENDMENTS

1. The public consultation shall ordinarily have two components comprising of:

- (i) A public hearing at the site or in its close proximity- district wise, to be carried out in the manner prescribed in **Annex E-18**, for ascertaining concerns of local affected persons
- (ii) Obtain responses in writing from other concerned persons having a plausible stake in the environmental aspects of the project or activity

2. The public hearing at, or in close proximity to, the site(s) in all cases shall be conducted by the State Pollution Control Board (SPCB) or the Union territory Pollution Control Committee (UTPCC) concerned in the specified manner and forward the proceedings to the regulatory authority concerned within 45 (forty five) of a request to the effect from the applicant.

3. In case the State Pollution Control Board or the Union territory Pollution Control Committee concerned does not undertake and complete the public hearing within the specified period, and/or does not convey the proceedings of the public hearing within the prescribed period directly to the regulatory authority concerned as above, the regulatory authority shall engage another public agency or authority which is not subordinate to the regulatory authority, to complete the process within a further period of forty five days.

4. If the public agency or authority nominated under the sub-paragraph (iii) above reports to the regulatory authority concerned that owing to the local situation, it is not possible to conduct the public hearing in a manner which will enable the views of the concerned local persons to be freely expressed, it shall report the facts in detail to the concerned regulatory authority, which may, after due consideration of the report and other reliable information that it may have, decide that the public consultation in the case need not include the public hearing.

5. For obtaining responses in writing from other concerned persons having a plausible stake in the environmental aspects of the project or activity, the concerned regulatory authority and the State Pollution Control Board (SPCB) or the Union territory Pollution Control Committee (UTPCC) shall invite responses from such concerned persons by placing on their website the summary EIA report prepared in the format as specified in EIA Notification, 2006 and further amendments by the applicant along with a copy of the application in the prescribed form, within seven days of the receipt of a written request for arranging the public hearing. Confidential information including non-disclosable or legally privileged information involving Intellectual Property Right, source specified in the application shall not be placed on the web site. The regulatory authority concerned may also use other appropriate media for ensuring wide publicity about the project or activity. The regulatory authority shall, however, make available on a written request from any concerned person the Draft EIA report for inspection at a notified place during normal office hours till the date of the public hearing. All the responses received as part of this public consultation process shall be forwarded to the applicant through the quickest available means.

6. After completion of the public consultation, the applicant shall address all the material environmental concerns expressed during this process, and make appropriate changes in the draft EIA and EMP. The final EIA report, so prepared, shall be submitted by the applicant to the concerned regulatory authority for appraisal. The applicant may alternatively submit a

supplementary report to draft EIA and EMP addressing all the concerns expressed during the public consultation.

ANNEX E-20: PUBLIC CONSULTATION AND INFORMATION DISCLOSURE MECHANISM AS PER MINISTRY OF ENVIRONMENT AND FOREST'S ENVIRONMENTAL IMPACT ASSESSMENT NOTIFICATION, 2006 AND VARIOUS AMENDMENTS

1.0 The Public Hearing shall be arranged in a systematic, time bound and transparent manner ensuring widest possible public participation at the project site(s) or in its close proximity District -wise, by the concerned State Pollution Control Board (SPCB) or the Union Territory Pollution Control Committee (UTPCC).

2.0 The Process.

The Applicant shall make a request through a simple letter to the Member Secretary of the SPCB or Union Territory Pollution Control Committee, in whose jurisdiction the project is located, to arrange the public hearing within the prescribed statutory period. In case the project site is extending beyond a State or Union Territory, the public hearing is mandated in each State or Union Territory in which the project is sited and the Applicant shall make separate requests to each concerned SPCB or UTPCC for holding the public hearing as per this procedure.

The Applicant shall enclose with the letter of request, at least 10 hard copies and an equivalent number of soft (electronic) copies of the draft EIA Report with the generic structure as specified in EIA Notification, 2006 and further amendments including the Summary Environment Impact Assessment report in English and in the official language of the state/ local language, prepared strictly in accordance with the Terms of Reference communicated after Scoping (Stage-2). Simultaneously the applicant shall arrange to forward copies, one hard and one soft, of the above draft EIA Report along with the Summary EIA report to the Ministry of Environment and Forests and to the following authorities or offices, within whose jurisdiction the project will be located:

- (a) District Magistrate/District Collector/ Deputy Commissioner/ s
- (b) Zila Parishad or Municipal Corporation or Panchayats Union
- (c) District Industries Office
- (d) Urban Local Bodies (ULBs)/PRIs Concerned/ Development Authorities
- (e) Concerned Regional Office of the Ministry of Environment and Forests

On receiving the draft Environmental Impact Assessment report, the abovementioned authorities except the MoEF, shall arrange to widely publicize it within their respective jurisdictions requesting the interested persons to send their comments to the concerned regulatory authorities. They shall also make available the draft EIA Report for inspection electronically or otherwise to the public during normal office hours till the Public Hearing is over. The SPCB or UTPCC concerned shall also make similar arrangements for giving publicity about the project within the State/Union Territory and make available the Summary of the draft Environmental Impact Assessment report for inspection in select offices or public libraries or panchayats etc. They shall also additionally make available a copy of the draft Environmental Impact Assessment report to the above five authorities as mentioned.

3.0 Notice of Public Hearing

3.1 The Member-Secretary of the concerned SPCB or UTPCC shall finalize the date, time and exact venue for the conduct of public hearing within 7(seven) days of the date of receipt of the draft Environmental Impact Assessment report from the project proponent, and advertise the same in one major National Daily and one Regional vernacular Daily. A minimum notice period of 30(thirty) days shall be provided to the public for furnishing their Responses.

3.2 The advertisement shall also inform the public about the places or offices where the public could access the draft Environmental Impact Assessment report and the Summary Environmental Impact Assessment report before the public hearing. In places where the newspapers do not reach, the Competent Authority should arrange to inform the local public about the public hearing by other means such as by way of beating of drums as well as advertisement /announcement on radio/television.

3.3 No postponement of the date, time, venue of the public hearing shall be undertaken, unless some untoward emergency situation occurs and only on the recommendation of the concerned District Magistrate the postponement shall be notified to the public through the same National and Regional vernacular dailies and also prominently displayed at all the identified offices by the concerned SPCB or Union Territory Pollution Control Committee.

3.4 In the above exceptional circumstances fresh date, time and venue for the public consultation shall be decided by the Member –Secretary of the concerned SPCB or UTPCC only in consultation with the District Magistrate/ Deputy Commissioner and notified afresh as per procedure under 3.1 above.

4.0 **Supervision and Presiding over the Hearing**

4.1 The District Magistrate/District Collector/ Deputy Commissioner or his or her representative not below the rank of an Additional District Magistrate assisted by a representative of SPCB or UTPCC, shall supervise and preside over the entire public hearing process.

5.0 Videography

5.1 The SPCB or UTPCC shall arrange to video film the entire proceedings. A copy of the videotape or a CD shall be enclosed with the public hearing proceedings while forwarding it to the Regulatory Authority concerned.

6.0 **Proceedings**

6.1 The attendance of all those who are present at the venue shall be noted and annexed with the final proceedings.

6.2 There shall be no quorum required for attendance for starting the proceedings.

6.3 A representative of the applicant shall initiate the proceedings with a presentation on the project and the Summary EIA report.

6.4 Persons present at the venue shall be granted the opportunity to seek information or clarifications on the project from the Applicant. The summary of the public hearing proceedings accurately reflecting all the views and concerns expressed shall be recorded by the representative of the SPCB or UTPCC and read over to the audience at the end of the proceedings explaining the contents in the local/ vernacular language and the agreed minutes shall be signed by the District Magistrate/District Collector/ Deputy Commissioner or his or her representative on the same day and forwarded to the SPCB/UTPCC concerned.

6.5 A Statement of the issues raised by the public and the comments of the Applicant shall also be prepared in the local language or the official state language, as the case may be and in English and annexed to the proceedings.

6.6 The proceedings of the public hearing shall be conspicuously displayed at the office of the Panchyats within whose jurisdiction the project is located, office of the concerned Zila Parishad, District Magistrate /District Collector/ Deputy Commissioner ,and the SPCB or UTPCC. The SPCB or UTPCC shall also display the proceedings on its website for general information. Comments, if any, on the proceedings which may be sent directly to the concerned regulatory authorities and the Applicant concerned.¹

7.0 **Time Period for Completion of Public Hearing**

7.1 The public hearing shall be completed within a period of 45 (forty five) days from date of receipt of the request letter from the Applicant. Therefore the SPCB or UTPCC concerned shall sent the public hearing proceedings to the concerned regulatory authority within 8(eight) days of the completion of the public hearing .Simultaneously, a copy will also be provided to the project proponent.The applicant may also directly forward a copy of the approved public hearing proceedings to the regulatory authority concerned along with the final Environmental Impact Assessment report or supplementary report to the draft EIA report prepared after the public hearing and public consultations incorporating the concerns expressed in the public hearing along with action plan and financial allocation, item-wise, to address those concerns.

7.2 If the SPCB or UTPCC fails to hold the public hearing within the stipulated 45 (forty five) days, the Central Government in Ministry of Environment and Forests for category A project or activity and the State Government or Union Territory Administration for category B project or activity at the request of the SEIAA, or project proponent shall engage any other agency or authority to complete the process, as per procedure laid down in this notification.

¹ Note that the *draft* EIA report will be available to the locally affected persons prior to the Public Hearing. Thus, citizens will not get to see the *final* EIA report (on the basis of which the decision on the project will be made)

ANNEX E-21: GUIDANCE ON INCORPORATING THE EMP INTO CONTRACT DOCUMENTS (IN THE CASE OF HIGHWAY PROJECTS)¹

1. **Environmental Requirements in the Pre-bid Document.** The project implementing agency, i.e. the State Public Works Departments (PWDs) or the National Highway Authority of India (NHAI) issue the pre-bid documents to shortlist a few (usually six) contractors, based on their expression of interest and capability. While details on environmental requirements are not really needed at the pre-bid stage, it is useful to mention that the contractor's environmental management capability or experience is expected to be good.

2. **Incorporating EMP in the Bid Document**. The project implementing agency issues the bid document to the pre-qualified contractors. There are two types of bid documents – for International Competitive Bids (ICBs) and National Competitive Bids (NCBs). In MDB-financed projects, these documents are prepared based on templates provided by the MDB. The ICB documents are based on the FIDIC (acronym for International Institute of Consulting Engineers) guidelines, while the NCB is closer to national contracting procedures, i.e. the Central PWD contract documents in India. The bid documents contain separate volumes for instance, a typical ICB document contains (i) general conditions of contract which is based on the FIDIC (ii) technical specifications, which is based on the Ministry of Road Transport and Highways (MoRTH) specifications in India for road and bridge works (iii) Bill of Quantities (iv) drawings. The parts of the EMP must be included in the relevant locations of the bid documents in the following manner.

- (i) Mitigation/enhancement measures and monitoring requirements tables. The cross-reference to these tables should be included in the "Conditions of particular application" or COPA, which is part of the General Conditions of Contract (e.g. Section IV, Item 19.1 of the ICB). As a standard practice, there is overall reference to laws that have to be followed in this section / item. The relevant laws need to be mentioned here. In addition, the adherence to the mitigation / enhancement measures and monitoring requirement tables should be included. The two tables will have t be added as annexes or the EMP (without cost) as a whole must be attached. Either the annexes or the appropriate section in the EMp should be cross-referenced in the description of this item.
- (ii) Modifications/additions to the technical specifications. Due to the mitigation/enhancement measures included in the EMP, there may be (i) additions/alterations required to the MoRTH specifications and (ii) some new specifications. These are to be referred to in the section "Supplementary Specifications" in the Technical Specifications Volume of the bid documents. Generally, the MoRTH specifications are taken as followed and are not repeated in the bid documents. The section on "Supplementary Specifications" should also include additional technical specifications related to the EMP or should provide a cross-reference to the specific section of the EMP.
- (iii) **Cost table.** All the items in the EMP cost table relevant to the contractor have to be referred to in the Bill of Quantities table, which is a separate volume of the bid documents. It is to be noted that this table includes various tasks to be done by the contractor under different categories. Against each task the contractor will

¹ Adapted from Management of Environmental and Social Issues in Highway Projects in India by the World Bank. The environmental requirements for a project implementing agency are included in the EMP. Of these requirements, those related to the construction phase and the contractor have to be necessarily covered in the bid and contract documents

have to indicate a unit rate while completing the bid documents.

(iv) Drawings: Due to the mitigation / enhancement measures included in the EMP, (a) there may be changes required to the drawings (b) new drawings. All of these are to be reflected in the bid documents under a separate Drawings Volume. If the drawings are included in the EMP, then a cross-reference should be provided in the Drawings Volume.

3. **Developing the EMP to suit the bid/contract documents**. As one of the intentions is to integrate the EMP requirements in to the bid document / contract agreement, the EMP should be developed keeping the following in mind.

- (ii) Mitigation/enhancement measures table-description. In this table, the text describing each measure should not include / repeat what is already covered under the MoRTH technical specification which is being cross-referenced. The text should be short and clear. The description must focus on the "what" and "where" of the mitigation/enhancement measures, as the "how" has already been covered under the specification.
- (iii) **Monitoring requirements table.** There are certain monitoring requirements for the contractor. While developing this table, those that apply to the contractor must be clearly separated.
- (iv) **Technical specifications.** The modifications to the MoRTH specifications and additional specifications must be separately listed. These should be included as Annexes in the EMP. They should be adequately detailed to avoid problems (including those of interpretation) at the site.
- (v) Drawings. The modifications to the drawings as well as additional drawings must be included as annexes in the EMP. It is important to note that all such drawings should be "execution drawings" detailed as per the requirement of the particular item so as to execute at the site with adequate quality control and workmanship. (Also, it is important to note that the quality of the Bill of Quantities or cost estimate and technical specifications part of the contract document depends on the degree of detailing in the drawings.
- (vi) **Cost table.** The items pertaining to the contractor should be clearly separated from those that are to be implemented by the project implementing agency, supervision consultant or any other agency. The contractors' cost table should also not be attached to the bid / contract documents
- (vii) **Timing for finalising the EMP.** It is best to finalise the EMP before finalising the bid documents. This is required to fully reflect the sections of the EMP relevant to the contractor in the bid documents and to ensure full integration

4. Other notes.

(i) **Variation Orders.** Once the completed bids have been received from prospective contractors, the project implementing agency takes a decision based on the costs and technical merit of the bids. Following the decision, the project implementing agency and the contractor sign the completed bid documents. It becomes the contract agreement thereafter. If issues have been missed in the bid documents it cannot be amended at the time of signing the contract agreement, unless there is a really strong justification for the same. If there is an EMP cost item that is not reflected in the Bill of Quantities of the signed contract agreement, the supervision consultant may issue a variation order. The contractor will quote a rate and the task gets done. The issue of variation orders

is a standard practice and is generally used. However, the intent of good contracting practices is to minimise variation orders.

LIST OF SOCIAL ANNEXES PERTAINING TO SOCIAL SAFEGUARD FRAMEWORK (ANNEX S-1 TO S-13)

Annex No.	Title of the Annex	Remarks
Annex S–1	Paying Replacement Value	Documents the procedure for estimating the rehabilitation assistance by delineating the
		process for estimation, replacement value of
		lands and assets. This annex also emphasizes
		the need to complete the rehabilitation
		implementation works before physical
		displacement of affected families.
Annex S–2	Sample Entitlements Matrix Format	This annex is the key to ESF and delineates the entitlement for various loss categorizes such as
		agricultural land, homestead, residential, commercial tenancy and entitlements to squatters
		and allowance for loss of earnings, shifting of
		belongings, crop and fruit bearing trees, negative
		impact on schedule tribe families and common
		property resources.
Annex S–3	Checklists of documents that	Provides checklist of documents that need to be
	should be submitted	submitted by the lead banks / subborrowers to
	By lead banks / subborrowers	IIFCL to facilitate social due-diligence on the
	(SPVs) to IIFCL for loan	project
	application	
Annex S–4	Resettlement Screening	Provides a checklist for seeking basic information
	Checklist	on IR / IP impacts to determine the
		documentation and applicable procedures to
A 0 . E		carryout social due-diligence
Annex S–5	Tribal Peoples Effects Screening	Provides a checklist for seeking basic information
	Checklist	on IP impacts to determine the documentation
		and applicable procedures to carryout social due- diligence
Annex S–6	Scope of Resettlement Plan	The Government of India procedures as well as
		the social safeguard of DFIs allow for abridged
		documentation, if the social impacts of the project
		are not significant. This annex provides the area
		of coverage of short resettlement plan applicable
		for such project.
Annex S–7	Scope of Tribal Development	Provides the details that need to be covered
	Plan	short tribal development plans with the IR
		impacts at indigenous people are minor or
		insignificant
Annex S–8	Review of Policy and Legal	Reviews all national legislations and social
	Framework	safeguard policy and DFIs to provide quick
		understanding and salient aspect of these
		instruments.
Annex S–9	Checklist of Documentation	Provides checklist of documents that need to be
	required for preparation of Social	submitted by the sub-borrowers to IIFCL to
	Due Diligence Report under	facilitate environmental and social due-diligence
	Take out Finance Scheme	on the project
Annex S–10	Suggested Outline of Social Due Diligence Report for Subprojects	Provides outline for Social DDRs for subprojects
Annex S–11	Draft TOR for an External	Provides detailed terms of reference for external
	Agency for Monitoring and	agency for monitoring, evaluating, resettlement
	Evaluation	implementation plan.

Annex No.	Title of the Annex	Remarks
Annex S–12	Suggested Scope for an Annual Social Monitoring Report for Subprojects	Provides scope for an annual social monitoring report for subprojects
Annex S-13	Audit Recording Sheet Implementation of Social Safeguard Systems (the form will continue for the project life)	Provides the key milestones for which the social audit observations will be recorded as a part of annual audit

DDR = due diligence report, DFIs = Development Financial Institutions, ESF = Environmental Safeguards Framework, IIFCL = India Infrastructure Finance Company Limited, IP = indigenous people, IR = involuntary resettlement, SPV = special purpose vehicle, TOR = terms of reference

ANNEX S-1: PAYING REPLACEMENT VALUE

A. Replacing What is Lost

1. If individuals or a community must lose all or part of their land, means of livelihood, or social support systems so that a project might proceed, they will be compensated and assisted to replace lost land, housing, infrastructure, resources, income sources, and services in cash or kind so that their economic and social circumstances will be at least restored to the pre-project level. If the residual of an asset taken is not economically viable, compensation and other assistance are provided as for the entire asset. Non-land-based options may be used where land is not the preferred option of the affected persons or where land of similar quality and quantity is not available.

2. All compensation is based on the principle of replacement cost. Replacement cost means the method of valuing assets to replace the loss at market value or its nearest equivalent plus any transaction costs such as administrative charges, taxes, registration, and titling costs. Where GOI regulations do not meet this standard, the replacement cost will be supplemented as necessary. Replacement cost is based on market value before the project or dispossession, whichever is higher. In the absence of functioning markets, a compensation structure is required that enables affected persons to restore their livelihoods to levels at least equivalent to those maintained at the time of dispossession, displacement, or restricted access. Replacement cost of an affected asset is equivalent to the amount required to replace the asset in its existing condition. The replacement cost of structures should be equal to the cost of constructing/purchasing a new structure, without making any deductions for depreciation.

To assist in the determination of how "replacement cost" will be determined, the subborrower will finance the formation of compensation committees, with due AP representation, to help the relevant land acquisition agency arrive at the replacement price. If the statutory compensation is lower than the replacement value, it is mandatory to pay the difference as a form of "resettlement assistance" to each AP.

B. Land Acquisition and Concessioning Agency

3. Land acquisition for a public purpose or for a company is done by the state government authorities as per the Land Acquisition Act. The required payment for such acquisition, known as the 'circle rate,' is decided by the acquiring officer and district collector. Although the 'circle rate' is expected to be the 'market value,' often it is not the case. Therefore, what is necessary is to have a compensation committee which reviews the land market in the area and decides in consultation with affected persons the current market value of land which is also the replacement value of such land. If the circle rate is less than the replacement value, the concessioning agency may also take suitable decision to pay the difference so that APs get the market value (replacement value) of the land lost. This applies to structures, houses, and commercial buildings.

4. As per the operational experience of IIFCL, Concessioning Authority follow the applicable national guidelines while implementing the land acquisition and R&R activities.

C. Civil Works and Resettlement Assistance

5. The National Rehabilitation and Resettlement Policy, 2007 (NRRP-2007) recognizes that displacement and other project impacts make it difficult for affected families to continue their

livelihood. The policy proposes that a project provide each affected family 'on replacement cost basis' agricultural land or cultivable wasteland, if government land is available for distribution. This benefit would also be available to affected families who have, as a consequence of land acquisition, been reduced to the status of marginal farmers.

6. In addition to receiving replacement value of all acquired property prior to physical displacement and commencement of physical works of a project, each AP is entitled to economic rehabilitation. A comprehensive economic rehabilitation plan, together with allocated funds to implement it, should be ready before the project is approved. As economic rehabilitation programs could take long period to complete, the project sponsor should make necessary arrangements, and monitor and evaluate the adequacy and relevance of such programs. As part of the economic rehabilitation programs, local skill development and income generation programs should be examined and priority registration in such programs should be given to APs.

ANNEX S-2: SAMPLE ENTITLEMENTS MATRIX FORMAT

1. The entitlement matrix provides guidance for compensation, resettlement, and rehabilitation assistance planning. Lack of title/customary rights recognized under law will not be a bar to entitlement. Hence, non-titled encroachers and squatters as well as indigenous or other groups with customary rights over land or resources, if present in the project area, will be eligible for compensation (the entitlement matrix provides additional elements to vulnerable persons). However, people moving into the project area after the cut-off date are not entitled to compensation and resettlement benefits. The entitlement matrix provides all possible categories of losses to ensure that all resettlement impacts of all subproject components to be finalized during design will be addressed.

2. The entitlement matrix below outlines various types of losses resulting from the subprojects and provides for compensation and R&R packages. If during further processing of a subproject and loan implementation additional resettlement impacts are identified, the entitlement matrix will be updated by including provision of compensation and assistance for the additional impacts as per the SSF by mutual consent between the subborrower and the Facility.

Type of Loss	Unit of Entitlement	Entitlements
I. Agricultural land	 a) Titleholder family b) Family with customary land rights c) Authorized encroacher/ squatter family 	 (i) Compensation at replacement value (ii) Compensation for land will be paid as per Land Acquisition Act, 1894. If the replacement cost (determined as per this policy framework) is more than the compensation, as determined by the compensation committee in consultation with Project Proponent /EA, then the difference is to be paid by the subproject in the form of "resettlement assistance." (iii) If the residual plot(s) is (are) not viable, i.e. less than average land holding of the district, the following options will be given to the AP. The AP keeps the remaining land and the compensation and assistance is paid to the landowner for the land to be acquired. Compensation and "resettlement assistance" are given for the entire plot including residual plot, if the owner of such land wishes that the project authority should also acquire his residual plot. The project authority will acquire the residual plot so paid. If AP is from vulnerable group, compensation for the entire land will be by means of land-for-land if so wished by AP and provided that the land of equal or more productive value is available. (iv) Fully physically displaced families (losing their entire land) belonging to ST category (tribal) will be provided with 2.5 acres of irrigated agricultural land. (v) Fully physically displaced families (losing their entire land and residence) belonging to all other categories except STs shall be provided two acres of irrigated agricultural land or four acres of non- irrigated agricultural land. In case of non-availability

Type of Loss	Unit of Entitlement	Entitlements
		 of land, cash equivalent will be provided each of an amount of Rs/acre of irrigated land and an amount of Rs/acre of non-irrigated land which includes the cost of reclamation. (vi) All fees, stamp duties, taxes, and other charges, as applicable under the relevant laws, incurred in the relocation and rehabilitation process, are to be borne by the subborrower. (vii) Transitional allowance in Rs/month per displaced family shall be provided on the vacation of land/house for a period of one year from the date of vacation as determined by the collector concerned.
II. Homestead land and assets (residential land and structure)	 a) Titleholder/ owner residential land/structure b) Owner residential land/structure with customary rights c) Authorized 	 (i) Compensation at replacement value (ii) Compensation for residential land will be paid as per LA act. If replacement value for land and structure is more than the compensation determined by the compensation committee in consultation with Project Proponent/EA, then difference is to be paid by the subborrower in the form of "assistance." (iii) Replacement value for residential structure (part or
	residential encroachers/ squatters	full), which will be calculated as per the prevailing basic schedule of rates (BSR) without depreciation, subject to relevant "quality standards" of BSR as maintained by the government/authorized body.
		(iv) Fully physically displaced family (losing its entire residential land and/or structure) will be eligible for assistance in the form of 0.10 acre of homestead land in rehabilitation habitat or cash equivalent if opting for self-relocation elsewhere.
		(v) Fully physically displaced family (losing its entire residential land and/or structure) will get house building assistance in rupees which include cattle shed. This will be admissible to all physically displaced families whether settling in a resettlement habitat or elsewhere.
		 (vi) In order to ensure timely vacation, an allowance in Rs/month per displaced family shall be provided on vacation of land/house for a period of one year from the date of vacation as determined by the collector concerned.
		(vii) For construction of temporary shed, assistance in rupees shall be provided to each physically displaced family.
		 (viii) Transportation allowance in rupees or free transportation to the resettlement habitat per physically displaced family by the project authority. (ix) Right to salvage material from demolished
		 (x) Right to savage material norm demolished structure/building. (x) Project assisted relocation option will be provided to fully physically displaced persons and those whose residential structures becomes non-livable as a result of subproject impacts and a relocation site will be developed in consultation with these

Тур	e of Loss	Unit of Entitlement	Entitlements
			affected households provided that such land is available in the same locality. Basic amenities and other necessary infrastructure at relocation sites will be provided by the subborrower.
III.	Homestead land and assets (commercial land and structure)	 a) Titleholder/ owner commercial land/structure b) Owner commercial land/structure with customary right c) Authorized commercial encroachers/squ atters 	 (ii) Compensation at replacement value (iii) Compensation for commercial land will be paid as per LA act. If replacement cost for land and structure is more than the compensation determined by the compensation committee, then difference is to be paid by the subborrower in the form of "resettlement assistance." (iii) Replacement value for commercial structure (part or full), which will be calculated as per the prevailing basic schedule of rates (BSR) without depreciation, subject to relevant "quality standards" of BSR as maintained by the government/authorized body. (iv) Fully physically displaced family (losing its entire commercial land and/or structure) will be eligible for assistance in the form of 0.10 acre of homestead land in rehabilitation habitat or cash equivalent if opting for self-relocation elsewhere. (v) Fully physically displaced family (losing its entire commercial land and/or structure) will get building assistance in rupees which includes a cattle shed. This will be admissible to all displaced families whether settling in a resettlement habitat or elsewhere. (vi) In order to ensure timely vacation, a transitional allowance in Rs/month per displaced family shall be provided on vacation of land/structure for a period of ney ear from the date of vacation as determined by the collector concerned. (vii) Transportation allowance in rupees or free transportation to the resettlement habitat or their new place of inhabitance shall be provided to each displaced family by way of providing commercial structure. (x) Right to salvage material from demolished structure. (x) Project assisted relocation option will be provided to commercial structure. (x) Right to salvage material from demolished structure. (x) Project assisted relocation option will be provided to commercial structure. (x) Project impacts and a relocation site will be developed in consultation with these affected households provided the
IV.	Residential tenancy	a) Residential tenant	 provided by the sub-borrower. (i) The amount of deposit or advance payment paid by the tenant to the landlord and/or the remaining amount at the time of expropriation. (This will be

Type of Loss	Unit of Entitlement	Entitlements
V. Commercial tenancy	b) Commercial tenants	 deducted from the payment of assistance to the landlord/owner). (ii) A sum equal to 3 months rental in consideration of the disruption caused. (iii) Compensation for any structure that tenant has erected on the property. (This will be deducted from such payment to the landlord/owner). (iv) For construction of temporary shed, assistance in rupees shall be provided to each displaced family. (v) Transportation allowance or free transportation to the resettlement habitat or their new place of inhabitance shall be provided to each displaced family by the project authority. (i) The amount of deposit or advance payment paid by the tenant to the landlord and/or the remaining amount at the time of expropriation. (This will be deducted from the payment of assistance to the landlord/owner). (ii) A sum equal to three months rental in consideration of the disruption caused. (iii) Compensation for any structure that tenant has erected on the property. (This will be deducted from such payment to the landlord/owner). (iv) For construction of temporary shed, assistance in rupees shall be provided to each displaced from such payment to the landlord/owner). (iv) For construction of temporary shed, assistance in rupees shall be provided to each displaced family. (v) Transportation allowance or free transportation to the resettlement habitat or their new place of inhabitance shall be provided to each displaced family.
VI. Agricultural land possessed by squatters and encroachers	a) Agricultural squatters belong to the vulnerable group	 family by the project authority. (i) Eligible to get ex-gratia equal to compensation admissible under the Land Acquisition Act, 1894, for a similar category of land to the extent of land under his/her physical possession up to a maximum of one standard acre. (ii) APs will be notified and given a time frame in which they will be required to remove their assets and harvest their crops. (iii) Compensation for standing perennial and non- perennial crops grown by the APs. (iv) Right to salvage materials from the demolished structure.
VII. Homestead land possessed by squatters and encroachers	a) Squatters belong to the vulnerable group	 (i) Ex-gratia equal to compensation for land to landless families as per LAA (ii) R&R assistance: Eligible to get ex-gratia, equal to compensation for the similar category of homestead land, against the encroached homestead land up to a maximum of 1/10th of an acre in rural areas or 1/25th of an acre in urban areas. APs will be notified and given a time in which they will be required to remove their assets. In order to ensure timely vacation, a transitional allowance in Rs/month per displaced family shall

Тур	e of Loss	Unit of Entitlement	Entitlements	
			 be provided on vacation of land/structure for a period of one year from the date of vacation as determined by the collector concerned. For construction of temporary shed, assistance in Rs shall be provided to each displaced family. Transportation allowance in rupees or free transportation to the resettlement habitat or their new place of inhabitance shall be provided to each displaced to each displaced family. 	
VIII.	Residential and commercial structure by squatters and encroachers	a) Squatters belong to the vulnerable group	 (i) Compensation for structure at replacement value (ii) Right to salvage materials from the demolished structure. (iii) In order to ensure timely vacation, a transitional allowance per month per displaced family shall be provided on vacation of land/structure for a period of one year from the date of vacation as determined by the collector concerned. (iv) For construction of temporary shed, assistance in Rs shall be provided to each displaced family. (v) Transportation allowance in Rs or free transportation to the resettlement habitat or their new place of inhabitance shall be provided to each displaced to each displaced family by the subborrower. 	
IX.	Shifting business— mobile vendors	a) Households	Not eligible for compensation or "assistance." Ambulatory vendors who have been granted license for operating will be considered as kiosk.	
X. XI.	Kiosks Loss of wage earnings	 a) Household a) employee in commercial establishments b) agricultural laborer/share- croppers/tenants 	 "Assistance" in Rs for business disruption (i) Individual employee/agricultural laborer/sharecropper indirectly affected due to their employer being displaced will be assisted for their economic rehabilitation in cash payment. (ii) Assistance is to be paid on a case-by-case basis, as per the prevailing local wage rates for up to 100 days. (iii) Employment priority for APs in the construction work, if so desired by them. (iv) Preference will be given to these APs in availing other development program/schemes being implemented by the government in the project area. (v) Vocational training funded by subborrower would be provided for upgrading of skills to the APs belonging to vulnerable groups and losing their commercial structures. 	
XII.	Income from non-perennial crops and non- fruit bearing tree	 a) Titleholder family losing agricultural land b) Eligible squatters and encroachers using land 	 (i) Advance notice to APs to harvest their crops and fruits (ii) In case of standing crops, cash compensation at current market value (iii) Grant for replacement of seeds for the next season's harvest towards loss of crops before harvest in case of forced relocation. (iv) Trees will be compensated as per prevailing rate of Forest Department. 	

Type of Loss		Unit of Entitlement	Entitlements	
XIII.	Perennial crops such as fruit bearing trees	a) Titleholder family losing agricultural land b) Agricultural squatters belong to vulnerable group	(i) (ii) (iii) (iv)	season's harvest towards loss of crops before harvest in case of forced relocation.
XIV.	Negative impacts on scheduled tribe family	a) Families belong to ST category		While developing the resettlement plans, the sociocultural norms of indigenous and primitive tribal groups will be respected. Each physically displaced family of indigenous category shall be given preferential allotment of land. Such arrangements will be spelled out in the RP and/or TDP. As far as practiceable, indigenous communities should be resettled in a compact area close to their natural habitat. Indigenous displaced families involuntarily resettled outside the district shall be given 25% higher R&R benefits in monetary terms.
XV.	Common property resources	a) Community	Relocation: Either subproject or district administration shall take up construction at a new place as would be determined in consultation with representatives of affected persons/community.	
	Temporary impact during construction include disruption of crops and damage to adjacent parcel of land and other assets	a) Community b) Household c) Individual	(i) (ii) (iii)	Compensation: The contractor shall bear the cost of any impact on crops' adjacent land during construction. All temporary use of lands outside proposed site to be through written approval of the landowner by contractor. Location of construction camps by contractors in consultation with EA and local people.
XVII.	Unforeseen impacts, if any	a) Community b) Household c) Individual	(i) (ii)	Compensation as per this policy framework R&R assistance as per this policy framework

ANNEX S-3: CHECKLISTS OF DOCUMENTS THAT SHOULD BE SUBMITTED BY LEAD BANKS / SUBBORROWERS (SPVs) TO IIFCL FOR LOAN APPLICATION

I. Key Approvals/Consents

(i) Gazette Notification/3D Notification relating to Land Acquisition, approvals/consents/permissions/MOU from the Government/Concessioning Authority on behalf of the project proponent for the intention to land acquisition for public purpose. Right of Way Hand Over letter from the Concessioning Authority.

II. Key Documentation

- (ii) RAP/SIA/TDP report with Executive Summary, Resettlement Action Plan with statement of budgets that have been estimated and committed.
- (iii) Status of land acquisition
- (iv) Employment Generated for the local people/ project affected people. CSR policy of the Project Authority as well as CSR activity adopted for the PAP and the project affected area.
- (v) Notice/Record/Minutes of Public Hearing (actual conduct as well as written comments received) with a statement that summarizes suggestions incorporated in the Environmental Management Plan (EMP), RAP as a result of public hearing.
- (vi) Any pending litigation-legal statement on the project that states whether the project is under any legal proceedings e.g. by State/Central Government or suffering from Public Interest Litigation (PIL).
- (vii) Grievances Redressal Mechanism by the project authority.

ANNEX S-4: RESETTLEMENT SCREEN	ING CHECKLIST
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	1		r	
				Indication of scope
				(no. of affected
	Not			persons, land area,
Impost	Known	Yes	No	land use, structures, etc.)
Impact Is the prospective subproject company (PPC)	KIIOWII	162	NO	eic.)
undertaking or likely to undertake any land				
acquisition?				
Is the PPC acquiring land through willing buyer to				
willing seller transactions?				
Does the PPC have any agreements or is it likely				
to enter into agreements with the government for				
provision of sites or land or rights to land?				
Is any of the land used by the PPC (or likely to be				
used by the PPC) compulsorily acquired?				
Will any PPC activities involve restrictions of use				
on adjoining land?				
Are the sites for land acquisition known?				
What is the ownership status of the land?				
Are non-titled persons present?				
Will tenants, lessees, share farmers, or other third				
party users be affected?				
Will there be loss of housing?				
Will there be loss of crops, trees, and other fixed				
assets?				
Will there be loss of incomes and livelihoods?				
Will access to facilities, services, or resources be				
lost?				
Will there be loss of businesses or enterprises?				
Will any social or economic activities be affected				
by land use related changes?				
If involuntary resettlement impacts are expected	l:			
Are local laws and regulations compatible with				
DFI's involuntary resettlement policy?				
Will land be acquired through the government or				
by the PPC?				
Do PPC agreements with the government (if any)				
specify involuntary resettlement will be conducted				
in accordance with international standards?				
Does the government executing agency/PPC have sufficient skilled resources for resettlement				
planning and implementation?				
Are training and capacity building required prior to				
resettlement planning and implementation?				
resettionent planning and implementation?				

ANNEX S-5: TRIBAL PEOPLES EFFECTS SCREENING CHECKLIST

	Not			Remarks or identified
Impact on Tribal Peoples	Known	Yes	No	problems, if any
Are there tribal groups present in project				
locations?				
Do they maintain distinctive customs or				
economic activities that may make them				
vulnerable to hardship?				
Will the subproject restrict their economic				
and social activity and make them				
particularly vulnerable in the context of				
project?				
Will the subproject change their				
socioeconomic and cultural integrity? ¹				
Will the subproject disrupt their community				
life?				
Will the subproject positively affect their				
health, education, livelihood, or social				
security status?				
Will the subproject negatively affect their				
health, education, livelihood, or social				
security status?				
Will the subproject alter or undermine the				
recognition of their knowledge, preclude				
customary behaviors, or undermine				
customary institutions?				
In case there is no disruption of tribal				
community life as a whole, will there be loss				
of housing, loss of land, crops, trees, and				
other fixed assets owned or controlled by				
individual tribal households?				

¹ That is, undermine their production systems and the maintenance and transmission of their cultural patterns.

ANNEX S-6: SCOPE OF RESETTLEMENT PLAN

A. Executive Summary	This section provides a concise statement of project scope, key survey
	findings, entitlements and recommended actions.
B. Project Description	This section provides a general description of the project, discusses project
	components that result in land acquisition, involuntary resettlement, or both
	and identify the project area. It also describes the alternatives considered to
	avoid or minimize resettlement. Include a table with quantified data and
	provide a rationale for the final decision.
C. Scope of Land	This section:
Acquisition and	(i) discusses the project's potential impacts, and includes maps of the areas or
Resettlement	zone of impact of project components or activities;
	(ii) describes the scope of land acquisition (provide maps) and explains why it
	is necessary for the main investment project;
	(iii) summarizes the key effects in terms of assets acquired and displaced
	persons; and
	(iv) provides details of any common property resources that will be acquired.
D. Methodology for	This section outlines the methodology and tools adopted for:
Impact Assessment	(i) resettlement screening
	(ii) land acquisition planning
	(iii) socioeconomic survey
	(iv) census survey or inventory of assets and livelihood loss
	(v) consultation with stakeholders
E. Socioeconomic	This section outlines the results of the social impact assessment, the census
Information and	survey, and other studies, with information and/or data disaggregated by
Profile	gender, vulnerability, and other social groupings, including:
	(i) define, identify, and enumerate the people and communities to be affected;
	(ii) describe the likely impacts of land and asset acquisition on the people and
	communities affected taking social, cultural, and economic parameters into
	account;
	(iii) discuss the project's impacts on the poor, indigenous and/or ethnic
	minorities, and other vulnerable groups; and
	(iv) identify gender and resettlement impacts, and the socioeconomic situation,
	impacts, needs, and priorities of women.
F. Stakeholders	This section:
Consultation and	(i) identifies project stakeholders, especially primary stakeholders;
Participation	(ii) describes the consultation and participation mechanisms to be used during
	the different stages of the project cycle;
	(iii) summarizes the results of consultations with affected persons (including
	host communities), and discusses how concerns raised and recommendations
	made were addressed in the resettlement plan; and
	(iv) describes the process for consultation with affected persons during project
	implementation.
G. Legal Framework	This section:
	(i) describes national and local laws and regulations that apply to the project
	and identify gaps between local laws and DFI's policy requirements; and
	discuss how any gaps will be addressed.
	(ii) describes the legal and policy commitments from the executing agency for
	all types of displaced persons;
	(iii) outlines the principles and methodologies used for determining valuations
	and compensation rates at replacement cost for assets, incomes, and
	livelihoods; and set out the compensation and assistance eligibility criteria and
	how and when compensation and assistance will be provided.
	(iv) describes the land acquisition process and prepare a schedule for meeting
	key procedural requirements.

H. Entitlements,	This section:
Assistance and	
Benefits	(i) defines displaced persons' entitlements and eligibility, and describes all resettlement assistance measures (includes an entitlement matrix);
Denents	(ii) specifies all assistance to vulnerable groups, including women, and other
	special groups; and.
	(iii) outlines opportunities for affected persons to derive appropriate
I. Relocation of	development benefits from the project. This section:
Housing and	(i) describes options for relocating housing and other structures, including
Settlements	replacement housing, replacement cash compensation, and/or self-selection (ensure that gender concerns and support to vulnerable groups are identified); (ii) describes alternative relocation sites considered; community consultations conducted; and justification for selected sites, including details about location,
	environmental assessment of sites, and development needs;
	(iii) provides timetables for site preparation and transfer;
	(iv) describes the legal arrangements to regularize tenure and transfer titles to resettled persons;
	(v) outlines measures to assist displaced persons with their transfer and
	establishment at new sites;
	(vi) describes plans to provide civic infrastructure; and
	(vii) explains how integration with host populations will be carried out.
J. Income Restoration	This section:
and Rehabilitation	(i) identifies livelihood risks and prepare disaggregated tables based on
	demographic data and livelihood sources;
	(ii) describes income restoration programs, including multiple options for
	restoring all types of livelihoods (examples include project benefit sharing,
	revenue sharing arrangements, joint stock for equity contributions such as
	land, discuss sustainability and safety nets);
	(iii) outlines measures to provide social safety net through social insurance
	and/or project special funds;
	(iv) describes special measures to support vulnerable groups;
	(v) explains gender considerations; and
	(vi) describes training programs.
K. Resettlement	This section:
Budget and Financing	(i) provides an itemized budget for all resettlement activities, including for the
Plan	resettlement unit, staff training, monitoring, and preparation of resettlement plans during loan implementation.
	(ii) describes the flow of funds (the annual resettlement budget should show
	the budget-scheduled expenditure for key items).
	(iii) includes a justification for all assumptions made in calculating
	compensation rates and other cost estimates (taking into account both
	physical and cost contingencies), plus replacement costs.
	(iv) includes information about the source of funding for the resettlement plan
	budget.
L. Information	This section:
Disclosure	(i) describes the activities undertaken to disseminate project and resettlement
	information during project design and preparation for engaging stakeholders;
	(v) confirms disclosure of the draft resettlement plan to affected persons and
	includes arrangements to disclose any subsequent plans; and
	(vi) describes the planned information disclosure measures (including the type
	of information to be disseminated and the method of dissemination) during
	project implementation.
M. Grievance Redress	This section describes mechanisms to receive and facilitate the resolution of
Mechanisms	affected persons' concerns and grievances. It explains how the procedures are
	accessible to affected persons and gender sensitive.
N. Institutional	This section:

Arrangements	 (i) describes institutional arrangement responsibilities and mechanisms for carrying out the measures of the resettlement plan; (ii) includes institutional capacity building program, including technical assistance, if required; (iii) describes role of NGOs, if involved, and organizations of affected persons in resettlement planning and management; and (iv) describes how women's groups will be involved in resettlement planning and management,
O. Implementation Schedule	This section includes a detailed, time bound, implementation schedule for all key resettlement and rehabilitation activities. The implementation schedule should cover all aspects of resettlement activities synchronized with the project schedule of civil works construction, and provide land acquisition process and timeline.
P. Monitoring and Reporting	This section describes the mechanisms and benchmarks appropriate to the project for monitoring and evaluating the implementation of the resettlement plan. It specifies arrangements for participation of affected persons in the monitoring process. This section will also describe reporting procedures.

Guidance Note on Preparing a Resettlement Plan¹

Executive Summary

An executive summary is a succinct note on the key aspects of the resettlement plan. Please avoid details, data tables and a conclusion. But include the number of persons, households and land area and structures affected, planned approach to pay replacement cost as compensation for acquired land or provide land-for-land in lieu of cash compensation and relocation plans, if applicable, together with the budget and statement of timeframe to complete it. Please also state that no physical or economic displacement will take place under the project until all affected persons are appropriately and adequately compensated for the losses that they incurred. Please indicate that the resettlement plan is EA's document formulated in consultation with ADB and project- affected persons

1. **Project Description**

- 1.1 General description of the project, project components or subprojects
- 1.2 Identify the boundaries of the project areas and show them on a map. Describe project alternatives considered to avoid or at least to minimize land acquisition, and physical or economic displacement or both.
- 1.3 Indicate whether project-affected persons (APs) were consulted or at least informed about the alternatives considered and summarized their views and opinions regarding the chosen option.
- 1.4 Describe the main objectives of the Resettlement Plan.

2. Socioeconomic Conditions of Project Area and Affected Persons

2.1 Describe briefly project activities that would necessitate land acquisition, displacement, and relocation – The write up should be supplemented by tables of socioeconomic data derived from SIA. The data are to be distilled from the social impact assessment, and not from national census data. Please present tabulated data as summaries.

¹ This Guidance note is based on ADB's requirement. The scope of RAP requirements may vary depending on the other DFI's requirements.

- 2.2 Summarize resettlement impacts and risks arising from project, subproject or component activities.
- 2.3 Include maps of the areas or zones of impact of project/subproject/components
- 2.4 Present a census or a 'population record' of all APs. Enumerate them according to location where they live and project component/subproject. If RP is based on a sample survey, please state the fact and indicate a census will be included in the final RP before implementing it. Please note that the information contained in the RP is tentative until a census of APs has been completed.
- 2.5 Include maps of population settlements, infrastructure, and natural resources such as vegetation, water resources, and land use patterns, as applicable with brief write-ups.
- 2.6 Please present gender disaggregated socio-economic data in data tables.
- 2.7 Indicate whether the project is based on a project feasibility study. If not, please do not overload the RP with country census data (which are often out-dated). Such general data has hardly any relevance to resettlement planning.
- 2.8 Indicated whether arrangements are in place to update the draft RP after detailed technical/engineering designs are completed, and to submit it to ADB for review and approval.
- 2.9 Indicate the cut-off date for compensation and other resettlement assistance, and if applicable, indicate separate cut-off dates for each project component/subproject. A statement on the cut-off date will be included in the RP.
- 2.10 Identify and record livelihoods at risk because of the lost and affected assets at the household and community levels, and assets of affected commercial establishments. Please pay attention to social, cultural, and economic impacts of such losses on APs. Include details of project impacts on natural resources and common property resources, if any and their implications. Check EIA/IEE of the project, if available, for additional data and information or consult environmental consultants for such data and information.
- 2.11 Please provide information on vulnerable groups or persons and communities who need special assistance. Indicate project impacts, if any, on the poor, indigenous people, ethnic minorities, and other vulnerable groups in project areas.
- 2.12 Gender impacts of the project identify socio-economic conditions, impacts, needs, and priorities of women and also the relationship between men and women in economic, social and cultural spheres and how such relationship would impact on vulnerability, income restoration and benefit sharing.

3. Policy and Legal Framework

This section is critical. Please include a review of the laws, regulations and guidelines that apply to land acquisition and resettlement by paying special attention to country safeguard systems, new laws and regulations.

- 3.1 National (or sub-national or state) land acquisition policies and legal frameworks for land acquisition, relocation and income restoration are to be succinctly presented. Compare them with ADB's Involuntary Resettlement Policy principles found in SPS 2009.
- 3.2 Please present measures to bridge the gaps between ADB and borrower's land acquisition/resettlement policies, preferably in a matrix.
- 3.3 Please avoid detailed discussion on draft policies and legal enactments on land acquisition, relocation and income restoration. However, references to such legal

instruments are sometimes useful to indicate an EA's orientation towards a resettlement policy.

- 3.4 Principles and methods for determining land and other asset valuation and compensation rates at replacement cost are to be enumerated. If there are several methods, please indicate which one applies to the project. Please provide a carefully arranged matrix of components of replacement cost. If replacement cost cannot be reached, please indicate how the EA plans to meet this key requirement –through resettlement assistance, bonuses, and incentives. Please do not gloss over this critical requirement. Most of complaints from APs relate to this issue.
- 3.5 Calculation of replacement cost may vary from DMC to DMC and project to project. The key ingredients of replacement cost are fair market value, transaction cost, interest accrued, transitional and restoration costs and other applicable payments. In calculating replacement cost of structures and dwellings, their depreciation will not be taken into consideration. Please refrain from using 'market value' or 'replacement value' in place of 'replacement cost.
- 3.6 Compensation and resettlement assistance eligibility criteria are to be outlined. How and when cash compensation will be paid to APs is also to be explained. Please indicate whether husband and wife would get cash compensation, joint land deeds, and income and livelihood assistance. If not, what guarantees are there to ensure that women would not become vulnerable impoverished?
- 3.7 Carefully worded statement in RP is required about compensation, resettlement assistance, and relocation arrangements, if any, for tenants, leaseholders, wage workers, informal dwellers, squatters and encroachers. Please explain what their entitlements are and how they will be delivered to them in the context of the country's legal and administrative system. Prior agreement with EA is required in writing regarding these entitlements. Please pay special attention to entitlements of squatters, informal dwellers and informal employees in urban projects.
- 3.8 Discuss delays and key limitations envisaged in paying compensation. Please elaborate what specific safeguards are arranged to ensure that APs will get their entitlements before they are physically or economically displaced. In case of land-for-land compensation, the readiness for allocating land at relocation sites and details of resettlement assistance such as transport, basic facilities such as water and power are to be listed in RP.
- 3.9 Outline project impacts on women. Indicate whether local policy and legal framework is sufficient or not addressing such impacts. Also please outline what mitigation measures have been developed in consultation with women to mitigate any adverse impacts, if any, on them.
- 3.10 At the end of the section please present a list of land acquisition and resettlement principles distilled from all laws, regulations, guidelines and SPS.

4. Scope of Land Acquisition and Relocation

Land acquisition

- 4.1 Describe the scope of land acquisition (use maps) why private, government, communal land is necessary for the project/subproject/component.
- 4.2 Describe alternative options considered and/or mechanisms established to minimize land acquisition. Explain why the proposed acquisition of land is unavoidable. Briefly state the impact of land acquisition on APs and their communities.

- 4.3 Describe the consultation process with agencies responsible for land acquisition and resettlement and with APs on land acquisition.
- 4.4 Explain envisaged obstacles such as delays in compensation payments, and the nature of tenure of land to be acquired (urban/rural; cultivated/uncultivated land). Broad time frames for such acquisition.
- 4.5 Provide details of government land, already acquired land (in anticipation of the project), and common properties that are affected (a table of data is useful).

Relocation Planning

- 4.6 Indicate whether self-relocation is an option for APs any special incentives?
- 4.7 The magnitude of resettlement requirements number of households to be resettled and a list of resettlement sites their adequacy and suitability.
- 4.8 Indicate whether land has already been identified for resettlement sites or under consideration or negotiations; time frame for allocation of land parcels to APs.
- 4.10 Description of the alternative relocation sites considered. Indicate whether the APs were consulted. Please include details on location, quality of site, and development needs. Indicate whether an environmental assessment was conducted at the relocation site.
- 4.11 Distance from original land and communities to resettlement sites. Would relocation generate socio-cultural and economic difficulties for APs? Pay special attention to vulnerable groups including women.
- 4.12 Specific responsibility for relocation site development infrastructure, land deeds and land development.
- 4.13 Measures to prevent land speculation or influx of ineligible persons at selected relocation sites.
- 4.14 Please indicate timetables for site preparation and transfer. Arrangements to assist transfer and reestablishment of lives at relocation sites.
- 4.15 Legal arrangements to regularize tenure and transferring titles to resettlers.
- 4.16 Please outline plans for housing, infrastructure, and social and community services.
- 4.17 Describe special measures to address gender-related issues and special considerations for vulnerable groups at sites security, access to employment.
- 4.18 Measures for planned integration of APs with host communities and plans to provide comparable services to host populations.
- 4.19 Measures to mitigate resettlement impacts on the host community outline programs that would benefit both APs and the host community which in turn foster prospects for social integration.
- 4.20 Discuss briefly likely environmental impacts of the resettlement process. Environmental risks identification and arrangements for environmental management and monitoring (Please refer to EIA/IEE and EMP).

5. Information Dissemination, Consultation, and Disclosure Requirements

- 5.1 Describe the activities undertaken to disseminate information on the project and participation mechanisms to support the consultation processes. This applies to all project stakeholders including APs, host communities, NGOs, local government and authorities. Such consultations could be combined with environment and indigenous peoples consultations for efficiency and better understanding of project impacts.
- 5.2 Outline consultation and information disclosure program in different stages of the

project cycle.

- 5.3 Identify and describe stakeholders who will engage in consultations.
- 5.4 Describe the institutional setup and financial provisions that will be provided for continuing consultation throughout the project cycle. Outline the potential roles of non-government organizations (NGOs), women's groups and community-based organizations (CBOs) in information dissemination and consultation processes.
- 5.5 Indicate a timetable of disclosing the draft resettlement plan to all APs, and arrangement for disclosing updated and final resettlement plan, based on detailed design surveys.
- 5.6 State the arrangements to post draft and final RP on EA and ADB websites.

6. Entitlements, Assistance and Benefits

- 6.1 Define each key entitlement and eligibility unit of entitlement: person, household, or community; losses and their corresponding entitlements; eligibility criteria for compensation, resettlement and income restoration assistance; final value for the property and assets acquired from APs; Identify gender-specific requirements, titling, compensation and other rehabilitation assistance payments, land transferrelated expenses, special assistance to vulnerable households.
- 6.2 Prepare an entitlement matrix based on the impact of the project and eligibility policies (see annex 1 for the suggested format)
- 6.3 Cluster each type of APs in the entitlement matrix for clarity. For example, list all entitlements such as replacement cost, housing, income restoration/improvement support to land titleholders followed by other categories such as share-croppers, land leaseholders, squatters.
- 6.4 Identify the responsibilities and present a firmed up schedule for compensation payments and provision of resettlement entitlements. Indicate who is responsible for delivering entitlements to APs.
- 6.5 Indicate the mode of compensation: land-for –land, cash-for-land, combination of the two, or negotiated settlement or land pooling. Justify the mode and indicate whether the mode of compensation has been discussed with APs and borrower.
- 6.6 Indicate institutional/legal issues pertaining to the entitlements and how these have been addressed (in brief)
- 6.7 Carefully check the entitlements listed in the entitlement matrix could be met by the resettlement budget and timeframe of RP.

7. Income and Livelihood Rehabilitation

- 7.1 Describe how consultations already held and will be held with APs, CBOs and NGOs regarding income restoration planning and implementation.
- 7.2 Outline proposed income restoration programs. Please provide multiple options to restore and improve all types of livelihoods and income sources.
- 7.3 Discuss the appropriateness and sustainability of proposed income restoration/improvement programs
- 7.4 List employment creation plans, including provisions for income substitution, retraining, self-employment and pensions, where required. Please make sure to check with EA the feasibility and budget of such plans before including in RP.
- 7.5 Business relocation and restoration plan, including income substitution, where required. Please check with EA before including in RP.
- 7.6 Indicate possibilities in hiring APs at project sites. How to prioritize AP interests, if possible. (This should be based on discussion already held with project authorities)

- 7.7 Explain special measures, if any, to improve livelihood and income sources of disadvantaged and vulnerable households.
- 7.8 Outline special measures, if any, to provide skill training and income generation opportunities for women.

8. Institutional Framework

- 8.1 Please use diagrams to summarize the institutional framework for implementing RP. This framework should be linked with the project implementation framework. The link should be shown in the diagrams.
- 8.2 Describe responsibilities of PMU, PIU, and Resettlement/safeguard Cells in implementing RP.
- 8.3 Indicate which agency/NGO will maintain a database of APs, inventories of assets, the progress in payment of compensation.
- 8.4 Detail the roles and responsibilities of organizations who will monitor resettlement activities.
- 8.5 Assess the institutional capacity of the organizations and agencies linked with implementing RP.
- 8.6 Assess (in brief) the availability of logistics, finance, staff and other necessary facilities for RP implementation.
- 8.7 Role of NGOs, if involved, and organizations of affected persons in resettlement planning and management. Discuss the involvement of women's groups in resettlement planning, management and operations, and income generation.
- 8.8 Arrangements, if any, to hire female staff by the resettlement agency/cell to work with and assist women APs in resettlement activities, including planning and implementation of income restoration programs.

9. Grievance Redress Mechanisms

Please examine whether GRMs are required for the implementation of environment and indigenous peoples plans. It is always a good practice to establish one GRM for all safeguards. If the project team decides to establish a separate GRM for RP, the following information is required in the RP. The GRM should be scaled to reflect the level of project impacts. Sufficient attention is to be paid to its transparency especially in the appointment of GRM members, easy to follow procedures, using of vernacular for the benefit of all APs, and gender responsive. At least 20% of GRM membership should be held by women APs.

- 9.1 Description of the grievance redress mechanism or framework (informal and formal channels) that will be put in place by the project.
- 9.2 Provide a detailed diagram of the GRM process.
- 9.3 Please describe how GRM would feed information to EA to share with internal and external monitors.
- 9.4 Briefly describe time frame and mechanisms for resolution of complaints about resettlement.
- 9.5 Indicate the appeal procedures.
- 9.6 How to coordinate with other environment and IP GRMs, if any, to reduce duplication and time consumption in dispute resolution.
- 9.7 Arrangements to inform APs about the GRM.

10. Resettlement Budget & Financing Plan

- 10.1 Itemize budget for each resettlement activity. All items including GRM, monitoring (internal and external), consultation, host community participation are to be included as budget items with sufficient allocations after consultation with EA/IA and APs.
- 10.2 Justify assumptions regarding calculating compensation rates and other cost estimates (taking into account both physical and cost contingencies), and replacement cost.
- 10.3 Include information about the source of funding of the RP budget.
- 10.4 Include a detailed compensation payment plan and a schedule. Please make sure the plan and the schedule synchronize with the project's schedule of construction of civil works.
- 10.5 All cost of compensation, relocation, and livelihood rehabilitation will be considered project costs. If the borrower plans to include resettlement costs in the project loan, special arrangements are to be included in RRP with a dedicated budget. This needs prior approval of ADB management.

11. Implementation Schedule

- 11.1 Please provide an implementation schedule covering all aspects of resettlement activities including land acquisition, compensation payment, relocation and rehabilitation. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.
- 11.2 Time bound actions for projected activities to ensure that APs are compensated and assisted before award of civil works contracts or similar milestone, ensuring as a minimum that affected people will be provided with entitlements, such as land and asset compensation and transfer allowances, prior to their displacement
- 11.3 Resettlement Supervision Milestones included and updated regularly. Please see Appendix 2.
- 11.4 Please verify implementation schedule against loan covenants to avoid inconsistencies.

12. Monitoring & Reporting

Please do not include complicated monitoring system for small-scale resettlement plans. The monitoring framework should commensurate with the significance of resettlement impacts of a project, subproject or a project component. A budget for monitoring and reporting should be first agreed with EA.

Internal Monitoring:

- 12.1 Outline arrangements to monitor resettlement implementation, including impacts on women
- 12.2 State the strategy to monitor the impacts of land losses and resettlement for a reasonable period after all the resettlement and development activities have been completed.
- 12.3 A list of key monitoring indicators and their sub-indicators (these are to be developed in consultation with EA/IA to ensure their suitability, applicability and budgetary allocations
- 12.4 Reporting arrangements to ADB, EA and IAs
- 12.5 TOR for monitors, if the project hires internal monitors
- 12.6 Web posting at EA, IA, ADB responsibility and time frame

External Monitoring

- 12.7 Arrangements for hiring an external monitor.
- 12.8 TOR of the external monitor (as an annex to RP)
- 12.9 Reporting plan timetable of submission of reports six monthly
- 12.10 Specific arrangement to facilitate APs' participation in external monitoring.
- 12.11 A list of key monitoring indicators
- 12.12 Reporting arrangement to ADB, EA and IAs.
- 12.13 TOR for external monitors. If an independent advisory panel (for a complex and sensitive project) is to be appointed, please prepare a TOR for the resettlement expert.
- 12.14 Web posting at EA and ADB-responsibility and time frame

Exec	utive S	Summary			
Ι.	Background and context				
	The project and project components				
	b.	Relevant state legal framework			
	c.	Baseline data of tribal peoples in the project area			
		i. maps of the area of project influence and the areas inhabited by tribal peoples			
		ii. brief analysis of the social structure and income sources of project affected tribal			
		peoples			
		iii. information on relevant cultural practices and patterns			
		iv. relationship of tribal peoples to other local/national groups			
	d.	Key positive project effects on tribal peoples			
	e.	Key negative project effects on tribal peoples			
II.	Deve	lopment and/or mitigating activities			
	a.	Describe details of development (e.g. benefits-sharing) activities			
	b.	Describe details of mitigating activities			
III.	Strate	Strategy for tribal peoples participation			
	a.	Describe mechanism for participation by tribal peoples in planning, implementation,			
		monitoring, and reporting			
	b.	Describe procedures for a project-related grievance procedure			
IV.	IV. In	stitutional arrangements - implementing agency (IA)			
	a.	Identify main tasks and responsibilities in planning, managing, and monitoring			
		development and/or mitigating activities			
	b.	Identify role of NGOs or tribal peoples organizations in implementing the development			
		and/or mitigating activities			
۷.	Budget and financing				
	a.	Identify development and/or mitigating activity costs (including contingency funds) and			
		funding resources			
	b.	Provide detailed cost estimates for planned activities and investments, such estimates			
		should be broken down into unit costs by project year and linked to a financing plan			
VI.	Supe	rvision/Implementation			
	a.	Specify arrangements for supervision of TDP, e.g. annual reports, inspections			
VII.	Moni	toring			
	a.	Prepare a plan for internal and independent monitoring of the targets of the major			
		development and/or mitigating activities related to tribal peoples			

Note on Tribal Development Plan Preparation¹ (Based on ADB Indigenous peoples Safeguard Policy)

Titles/Labels

1. Indigenous peoples are labeled variously in different DMCs as 'tribes', 'tribal people', 'peoples', 'scheduled tribes', 'primitive tribes', 'cultural minorities', and 'ethnic minorities'. Please be careful to use the local official labels such as tribal, tribal peoples, *janajathi,* and ethnic minorities instead of 'indigenous peoples' in TDPs to refer to them.

¹ This Guidance note is based on ADB's requirement. The scope of TDP may vary depending on the other DFI's requirements.

Triggers of Indigenous Peoples Policy

2. A lot of preparatory work precedes the formulation of a Tribal Development Plan (TDP). In case a proposed project is probable to impact on tribal peoples, the most important task at the initial phase of project planning is to determine whether these communities are tribal peoples or not. The second task is to determine whether or not their presence in the proposed project area would trigger safeguard policy requirements applicable to tribal peoples. Generally, if their ancestral domain, specific dialect, control over some natural resources, and religio-cultural identity with a specific location are not affected, the project team might consider the desirability of considering them as a vulnerable group which would give them guaranteed and specific project benefits.

Unlike involuntary resettlement and environment safeguard policies, tribal peoples 3. safeguard policy gets triggered by positive and adverse project impacts. Therefore, the project team or consultants should determine, based on the information and data available, whether or not the project-affected population triggers the tribal peoples safeguard requirements. The widespread notions that if tribal peoples are 'mainstreamed' it is not necessary to formulate a TDP is incorrect. The phrase 'mainstreamed' does not convey any information about tribal peoples, as even after the so called mainstreaming they continue to be tribal peoples (TP). If the phrase means that TP are not different from others in economic status, still TDP has to be prepared as their vulnerabilities arise from social and political arenas in addition to economic arena. In countries such as India, TP are entitled to special recognition and support regardless of their current economic status, because the Constitution recognizes them as vulnerable communities who need constitutional safeguards. In such a situation, a project will have an TDP or a special action plan built into another social action plan such as resettlement plan or community action plan to ensure that the project's adverse impacts on them are avoided or at least minimized, and that they will have equal opportunities to benefit from the project.

Need for an TP Expert

4. The project should engage qualified and experienced indigenous experts to advice on the above complex issues at the outset. A wrong decision regarding the identity and rights of a TP would exclude a vulnerable category of people from receiving project benefits. The selection of a qualified and experience TP expert is the responsibility of the project proponent in consultation with safeguard specialist of ESMU of IIFCL. If a project has significant TP impacts, please consider the possibility of retaining the TP specialist at planning and implementation phases of the project.

Social Impact Assessment

5. A key weakness in an TDP is its poor socioeconomic database. Often national or regional TP census data and information are used as a substitute for findings of a SIA. This creates difficulties in determining whether the presence of TP triggers the TP safeguards, and the need for seeking free, prior, informed consent of affected TP. These issues re-emphasize the importance of hiring a qualified and experienced expert to plan and conduct the SIA. Possibility of formulating a combined SIA for IR and TP should also be considered, if the majority of PAPs are TP who lose land and other property to the project. A resettlement plan holds some legal validity, especially when it is a part of an EIA.

6. In India, tribal groups characterized by vulnerability are ranked according to their poverty and constitutional rights. For example, tribal peoples are categorized into scheduled and non-

scheduled tribes; similar categorization is applied to castes – scheduled and non-scheduled. Occasionally, 'primitive tribes' is found in literature especially in Kerala state. As vulnerability is the key characteristic of indigenous peoples, the team should get an expert opinion on how to disentangle such mixed social groups for the SIA and TDP. It is necessary to assess and validate which TP groups will trigger TP safeguard principles and to state in the SIA.

7. A key set of questions in SIA is (a) whether the proposed project would have any impact on land use/ownership, cultural heritage of communities and indigenous knowledge such as medicinal plants, and natural resources found in the areas where TP live. Some of these anticipated impacts may require FPIC exercises to seek broad community support for the project. The ideal time to hold FPIC exercise, if required, is during the SIA.

8. Data and information collected through questionnaires, focus group discussions, consultations, and unstructured interviews should be analyzed and presented in tabular form with necessary explanations in the main text of TDP. Detailed data tables are to be included as an annex of TDP. The reader of TDP should be able to understand the scope of the project, its impacts on TPs and others, and the geographical boundaries of such impacts.

Consultations, Participation and Information Disclosure

9. Generally consultation and participation of TP in the formulation of an TDP do not get sufficient attention during the formulation of an TDP. Just to talk to TP and to collect their socioeconomic information would not satisfy these requirements. Although preliminary consultations can be done during SIA, consultations and SIA are two distinct planning activities, although some overlap could be expected. It is desirable to combine consultations on environment and resettlement with TP consultations.

10. All consultations with TP are supposed to be 'meaningful' consultations. The process of *meaningful* consultations has several characteristics which fieldworkers who conduct SIA should know of: (1) it is a process which continues throughout the project cycle – not a few *ad hoc* meetings with TP; (2) disclosure of relevant project information to all TP; (3) consultation are to be conducted in a friendly and accommodative style without intimidation or coercion; (4) consultations should be gender-sensitive, inclusive, and responsive to needs of all disadvantaged groups; and (5) consultations should generate sufficient data, information and views and recommendations from TP which would facilitate knowing, sharing and incorporating their views, aspirations and concerns in planning and implementing the project.

Free, Prior, Informed Consent (FPIC)

11. FPIC is a cluster of concepts each of which has a specific meaning. Please know the correct meaning of the concepts. 'Free' means dedicated discussions with TP without any coercion or intimidation or promises. 'Prior' means consultations before the selection of the location of a project or before determining a project proposal as final. Having selected a project site and then to consult people will not facilitate FPIC seeking exercises. This is especially important because if the majority says 'no' to a project during FPIC, ADB will not fund it. 'Consent' is an agreement. This is known as 'broad community support'. The Policy says that broad community support may exist even if some individuals or groups object to the project activities. This is a matter for TP specialist to determine. Please note that the World Bank use the last letter of FPIC, that is, 'C' to mean 'consultation'. But at ADB, the focus is on 'consent'. There is a big difference between the two. The World Bank is now trying to embrace 'consent'.

12. Three key factors could trigger the need for FPIC: physical displacement of indigenous peoples is the most common factor. If displacement and relocation are components of a proposed project, it is necessary to obtain FPIC of affected TP. Please check whether or not such acquired land fall into the category of ancestral domain of the peoples. Sometimes, TP live and earn their livelihood on state land or private lands of others. Such lands are not ancestral lands. This is somewhat vague and difficult to determine in a community. For example, when a commercial company plans to produce a drug using a plant found in the area which is being used by communities as a remedy for an illness, it should obtain TP's consent.

13. If FPIC is required, the team should determine the methodology of conducting FPIC, cost and resources requirements. With FPIC, a project processing phase could get longer. This possibility should be considered at the stage of selecting an area for a project.

14. A key problem in conducting FPIC is how to choose a sample of TP. It is difficult to select a representative sample from scattered and somewhat reluctant/shy tribal or indigenous peoples. A cost effective way of choosing respondents for interviews, consultation and consent-seeking is to look for tribal/indigenous community level organizations/agencies in the project area. If leaders or representatives of such organizations are identified, the process of FPIC could be done consulting a sample of such leaders. If the number of such leaders is small, all of them could be invited for FPIC exercise. Please make sure to provide them with transport and food when invited for FPIC exercises. There should be a budget for this purpose in PPTA or consultation program.

15. FPIC is a complicated process which needs careful planning and note taking. The note takers of recorder(s) should be impartial and trained in note taking and summarizing complicated statements made by respondents. Debates and disagreement are part of the process – this means the ability to listen and to extract the meaning of seemingly contradictory and meaningless statements and arguments.

16. Usually full consensus for a proposed project cannot be reached through FPIC process. Therefore, ADB look for a broad community support for the project. This is decision of TP expert not the borrower/client.

17. At the end of FPIC exercise, the borrower will submit full documentation of the discussions and decisions to ADB for review. ADB can conduct its own investigation in order to assure itself of the existence of broad community support for the project among TP. ADB find such documentation is at best fragmentary and incomplete. The documentation submitted to ADB for review should be complete, comprehensively written with a short analysis of data and information. ADB will use the documentation to form its own opinion and to conduct further investigations.

Project Benefits to Indigenous Peoples

18. ADB recognizes TP's vulnerability in development process. It therefore wants to ensure that TP have opportunities to *participate in* and *benefit equally from* projects that affect them. A key objective of an TDP is to identify such opportunities and make them into realities; otherwise, there is a very high probability that non-TP population would usurp project benefits from vulnerable, marginalized, and often illiterate TP.

19. A comprehensive SIA and results of FPIC exercise (if applied) together with the project proposal indicate how the project could benefit affected TP and what obstacles are to be

overcome. The TDP should elaborate the benefits that TP are supposed to receive from the project and what actions are necessary to ensure that they could reap them. Usually this key section is missing in many TDP. A cursory statement on benefits is found in categorization forms which are often not based on field findings. Project benefits should be tangible. For example, a hydropower project could provide electricity to an affected TP community. Electricity would help children to study more hours after school. Electricity would certainly impact on gender relations and employment patterns as well.

20. Project benefits that accrue to TP in a project area should culturally be appropriate and gender responsive. This is difficult to achieve unless a thorough knowledge of local culture and social organization is acquired. 'Culturally appropriate' means location-specific social and cultural values who would sustain the community; they certainly not offend the community or disintegrate it. Such values are to be elicited through consultations with affected TP. Gender relationships may vary from community to community. They should also be carefully examined before recommending activities that could bring benefits to TP. Sometimes women hold key sacred items/symbols such as sacred rice in a farming TP community. If their farming land is acquired for a project, women not only lose the custody of the sacred rice, but also their top position in the social hierarchy.

Mitigation Measures

21. An important aspect of making a project beneficial to TP is to mitigate any adverse impacts that cannot be fully avoided. In case of TP, such measures are more related to environmental planning than to resettlement or social development. A project that will have impacts on TP's fishing in a river or hunting in a forest should view such resources as natural resources over which TP have rights which are recognized by the international law. It is much easier to provide safeguards to such interests and rights of TP in an EIA than in a resettlement plan. It is helpful if a detailed analysis and a set of recommendations are included in the EIA and a summary in the TDP. This is a good example of the possibility of integrating environmental safeguard policy requirements with social safeguard requirements instead of juxtaposing them.

22. In a TDP, a key mitigative measure would be how to resettle physically displaced TP. In this scenario, the critical requirement is obtaining TP's consent. When consent is obtained and recorded, it is necessary to find land where they could be resettled. Their resettlement requires a higher threshold of preparation. They cannot be paid cash compensation and expected to find new land. They are too vulnerable to do so. They do not know the land market and have weak links with local administration. Normally they would like to continue their traditional or customary livelihoods. It is the responsibility of the borrower/client to ensure that adequate, good quality replacement lands are provided to them. Unless such land is found before the displacement, the project should proceed further. On the other hand, if TP are happy to receive cash compensation and self-relocate, an independent committee should verify their majority decision and provide adequate cash compensation promptly. Ideally willing buyer-willing seller mode of land acquisition could be used. But this is possible only when TP do not claim over the project land as their ancestral domain.

23. Mitigative measures take two forms: community or group measures, and individual measures. In TP communities, customary laws govern most of community resources under the general umbrella of 'ancestral domain'. This means even if an individual were willing to sell his land to a project, the community as a whole has a right to stop the individual. This community right is a general legal norm in India (please see the Forest Rights Act of 2006).

24. A key function of FPIC is to determine community rights and individual rights when land is acquired for a project and to work out how to distribute compensation and other benefits among affected TP.

Institutional Arrangements

25. TDP will outline who will implement it and who will provide budget and financial assistance. In some projects, a distinction between Central Government and states/local authorities is relevant regarding TP issues and budgetary allocations. A clear demarcation of functions of different authorities and agencies are to be elaborated in TDP.

26. TDP will indicate whether TP organizations, NGOs and CBOs would participate in implementing it. TORs of each category will be listed as an annex to TDP. In a complex and significant project, TOR of panel of experts will also be included in the annex.

27. During the formulation of a TDP, it is necessary to check whether or not a separate cell within PIU is required to attend to TP issues. If required, a TOR and a budget for an TP specialist at PIU are to be included.

28. An itemized budget for all activities, compensation, rehabilitation, personnel, and monitoring will be in TDP. If TDP is combined with a resettlement plan, cost of compensation, relocation and rehabilitation of affected TPs will be distinguished from other budgetary items.

Capacity Building

29. It is necessary to probe the Constitution, local legal systems, regulations and court decisions pertaining to TP's rights, duties and identity and recognized control over some territories. This is a specialist's job. The TP expert should prepare a dossier of such laws and regulations and use it to review the potential project impacts on TP, how to mitigate them, and ensure TP get project benefit.

30. When domestic laws are silent on or against the classification of a population into TP and non-TP, the project team with the assistance of TP expert should develop some guidelines on TP issues of the project which could later be developed into regulations or laws. Thus TDP contributes to the development of country safeguard system for TP safeguards.

31. The consultants should look for TP organizations at the local, regional and national level to discuss, understand and report on TP groups, their interests and rights and their key characteristics that distinguish them from other communities. Such reports in short term facilitate project activities pertaining to TP, and in long-term build up institutional capacity of borrowers/client to identify TP and to plan projects to benefit them.

Grievance Redress Mechanism

32. The establishment of one grievance redress mechanism for environment, resettlement and indigenous peoples safeguard issues is the ideal. However, if TP issues are significant and complex, a separate GRM could be establish to deal with TP issues only.

33. During consultations and exercises on FPIC-seeking, the consultants/safeguard specialist of the project team should discuss with TP the nature and the level(s) of grievance redress mechanism and the manner in which redress is ensured.

34. The project team should seek the advice of TP expert and the views of TP representatives on GRM before finalizing the GRM structure and organization.

35. The rules and structure of the GRM have to be included in TDP. In case one GRM is established for environment and social safeguards, the rules and organizational structure of the GRM pertaining to each safeguard area is to be listed in TDP.

Monitoring

36. The degree of monitoring of TDP implementation will commensurate with the complexity and significance of project impacts on TP. Detailed and costly monitoring system should not be established unless the need for such a system is first examined and agreed with the borrower/client.

37. TDP will list primary and secondary monitoring indicators and describe the monitoring structure and how it links with other monitoring programs of the project proponent. It will also discuss the degree of participation of TP representatives, frequency of monitoring reporting, and web posting.

38. In a project with complex and significant TP issues, a panel of experts will do its external monitoring. The frequency of meetings, reporting, key issues the panel will monitor and it membership are to be included in TP. A monitoring budget is to be included in TDP and it should be reflected in the overall project budget.

ANNEX S-8: INVOLUNTARY RESETTLEMENT AND TRIBAL PEOPLES SAFEGUARDS-GOVERNMENT OF INDIA POLICY AND LEGAL FRAMEWORK

A. National Rehabilitation and Resettlement Policy, 2007 (NRRP-2007)

1. The National Rehabilitation and Resettlement Policy, 2007 (NRRP-2007) was adopted by the Government of India in 31st October, 2007 to address development-induced resettlement issues. The policy provides for the basic minimum requirements, and all projects leading to involuntary displacement of people must address the rehabilitation and resettlement issues comprehensively. The State Governments, Public Sector Undertakings or agencies, and other requiring bodies shall be at liberty to put in place greater benefit levels than those prescribed in the NRRP-2009. The principles of this policy may also apply to the rehabilitation and resettlement of persons involuntarily displaced permanently due to any other reason. The objectives of the National Rehabilitation and Resettlement Policy are as follows:

- (i) to minimize displacement and to promote, as far as possible, non-displacing or least-displacing alternatives;
- (ii) to ensure adequate rehabilitation package and expeditious implementation of the rehabilitation process with the active participation of the affected families;
- to ensure that special care is taken for protecting the rights of the weaker sections of society, especially members of the Scheduled Castes and Scheduled Tribes, and to create obligations on the State for their treatment with concern and sensitivity;
- (iv) to provide a better standard of living, making concerted efforts for providing sustainable income to the affected families;
- (v) to integrate rehabilitation concerns into the development planning and implementation process; and
- (vi) where displacement is on account of land acquisition, to facilitate harmonious relationship between the requiring body and affected families through mutual cooperation.

B. Land Acquisition Act (LAA), 1894

2. The Act provides a framework for facilitation of land acquisition within the country. The Act enables the state to acquire private lands for public purposes. The Act ensures that no person is deprived of land except under the Act and entitles the landowner/APs to a hearing before acquisition. The salient features of the Act are given below.

- (i) Land identified for the purposes of a project is placed under Section 4 of the LAA. This constitutes notification. Objections must be made within 50 days to the DC.
- (ii) The land is then placed under Section 6 of the LAA. This is a declaration that the government intends to acquire the land. The DC is directed to take steps for the acquisition and the land is placed under Section 9. Interested parties are then invited to state their interest in the land and the price. Under Section 11, the DC shall make an award within one year of the date of publication of the declarations. Otherwise, the acquisition proceedings shall lapse.
- (iii) In case of disagreement on the price awarded, within six weeks of award, the parties (under Section 18) can request the DC to refer the matter to the courts to make a final ruling on the amount of compensation.
- (iv) Once the land has been placed under Section 4, no further sales or transfers are allowed. However, since the time lag between Sections 4 and the others

following it is about 3 years, land transfers are not uncommon.

- (v) Compensation for land and improvements (such as houses, wells, trees, etc.) is paid in cash by the project authorities to the state government, which in turn compensates landowners.
- (vi) The price to be paid for the acquisition of agricultural land is based on sale prices recorded in the district registrar's office averaged over the three years preceding notification under Section 4. The compensation is paid after the area is acquired, actual payment by the state taking about 2 or 3 years. An additional 30% is added to the award as well as an escalation of 12% per year from the date of notification to the final placement under Section 9, an additional 9% per annum is paid for the first year and 15% for subsequent years.

C. Involuntary Resettlement Polies of DFIs (ADB IR Policy is indicative of other DFIs' IR policies)

3. The three important elements of the IR policy are (i) compensation to replace lost assets, livelihood, and income; (ii) assistance for relocation, including provision of relocation sites with appropriate facilities and services; and (iii) assistance for rehabilitation to achieve at least the same level of well-being with the project as without it. Some or all of the elements may be present in a project involving IR.

4. See **Annex S-6** on guidance for formulating a Resettlement Plan.

D. Scheduled Caste and Scheduled Tribes (Prevention of Atrocities Act), 1989

5. This Act prevents the commission of offences of atrocities against members of the Scheduled Tribes and Castes and provides for a special court for the trial of offences against SCs and STs. It also provides for the relief and rehabilitation of victims of such offences.

E. *Panchayat* Extension to Scheduled Areas Act (PESA), 1996

6. *Panchayat* Extension to Scheduled Areas Act was passed in 1996. The act is meant to enable tribal society to assume control over their resources and development. The provisions of the 73rd Amendment, with some modifications, were extended to the tribal areas under Schedule V in the States of Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Maharashtra, Madhya Pradesh, Orissa, and Rajasthan.

F. The National green Tribunal Act, 2010

7. An Act to provide for the establishment of a National Green tribunal for the effective and expeditious disposal of cases relation to environmental protection and conservation of forests and other natural resources including enforcement of any legal right relating to environment and giving relief and compensation for damages to persons and property and for matters therewith or incidental thereto.

G. Tribal Peoples Safeguard Policies of DFIs (ADB's Indigenous Peoples (IP) Policy is indicative of other Lenders' IP Policies)

8. Policy ensures that projects affecting tribal (indigenous) peoples are (i) consistent with the needs and aspirations of affected TP; (ii) compatible in substance and structure with

affected TP culture and social and economic institutions; (iii) conceived, planned, and implemented with the informed participation of affected communities; (iv) equitable in terms of development efforts and impact; and (v) not imposing the negative effects of development on IP without appropriate and acceptable compensation.

9. Please see **Annex S-7** for detail guidance on how to prepare a TDP.

ANNEX S-9: CHECKLIST OF DOCUMENTATION REQUIRED FOR PREPARATION OF SDDR UNDER TAKEOUT FINANCE SCHEME

Documents required:

Copies of

- Social impact Assessment
- Resettlement Action Plan/Resettlement Plan
- Tribal Development Plan, if available

Following details are also required:

- Any pending litigation regarding land acquisition Any tribal peoples affected due to project;
- Any Compensation related issues;
- Any physical displacement of people;
- Local Employment generated during construction as well as operation phase;
- Any grievances pending and grievance redressal mechanism;
- Details of any special effort taken by project developer or project facility provided (like underpasses, service road etc.) due to public demand;
- CSR activities undertaken.

ANNEX S-10: SUGGESTED OUTLINE OF SOCIAL DUE DILIGENCE REPORT FOR SUBPROJECTS

Introduction

1. Investment description: investment title, type of investment, location and setting, amount, size (production capacity, number of staff)

- 2. Social categorization and rationale
- 3. Applicable Social Requirements. (Policies applicable for SIA/RAP/TDP)

Scope of Review and Methodology

1. Documents reviewed (e.g. Resettlement Action Plan, Tribal Development Plan, or social Compliance Audit Reports, copies of gazette notifications)

2. Methodologies used (Site visits, inspection report, etc.)

Compliance and liability (by relevant safeguard requirements applicable for the specific investment, examine social issues and compliance)

1. Examine issues in terms of Social concerns, involuntary resettlement and indigenous/Tribal peoples impacts, mitigation measures to address these issues (or corrective action plan for existing facilities) and compliance status with applicable DFIs social safeguard requirements and national laws, regulations, and standards:

- (i) Social Safeguards
 - appropriate identification of major anticipated Social impacts and risks
 - adequacy of Social assessment (for category A investments, including the adequacy of alternative analysis)
 - compliance status with applicable requirements on (i) information disclosure, (ii) consultation with affected persons and other stakeholders, (iii) occupational and community health and safety, employment generation and sustainable livelihood generation management, and common property resources
 - adequacy of mitigation measures (mitigation measures, monitoring and reporting, institutional arrangement, R&R budget and status of the budgeted amount
- (ii) Involuntary Resettlement Safeguards
 - appropriate identification of major anticipated involuntary resettlement impacts and risks (including both physical displacement and economic displacement)
 - adequacy of assessment of social impacts, information disclosure and consultation with affected persons and other stakeholders
 - adequacy of compensation and benefits for displaced persons
 - adequacy of resettlement plan (measures to enhance or restore the livelihoods of displaced persons, monitoring and reporting,

institutional arrangement, budget), or corrective action plan for existing facilities, if any

- private sector responsibilities under government-manages resettlement
- (iii) Indigenous/Tribal Peoples Safeguards
 - appropriate identification of major anticipated impacts on Indigenous/tribal Peoples (including potential impacts on traditional or customary lands under use; relocation of Indigenous/tribal Peoples from traditional and customary lands, and impacts on cultural property resources)
 - adequacy of information disclosure and meaningful consultation with affected people
 - broad community support, where applicable
 - adequacy of measures to avoid adverse impacts
 - adequacy of Indigenous/tribal Peoples plan (benefit sharing, measures to mitigate and minimize adverse impacts, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any
- (iv) Adequacy of grievance redress mechanism arrangements
- 2. Recommend mitigation measures, or corrective action plans, if gaps are identified

3. State any risk control or mitigation measures to be taken by the investment, such as conditions, loan covenants or monitoring and reporting requirements

Other investment specific issues, if any

Conclusion and Recommendations

ANNEX S-11: DRAFT TOR FOR AN EXTERNAL AGENCY FOR MONITORING AND REPORTING

A. Objective/Purpose of the Assignment

1. Monitoring is an integral part of both the resettlement process and of a Tribal Development Plan (TDP). The agency will be involved in ongoing monitoring of resettlement implementation and/or of a TDP. The objectives of external monitoring and reporting are to review implementation and assess the (i) achievement of resettlement and/or TDP objectives, (ii) changes in living standards and livelihoods and restoration of economic and social base of the APs, (iii) the effectiveness, impact, and sustainability of entitlements, and (iv) need for further mitigating measures, if any. External monitoring and reporting should also enable the executing agency to make timely decisions on corrective measures needed to implement resettlement and/or the TDP effectively and learn strategic lessons for future policy formulation and planning.

B. Qualifications

2. The selected organization should be of high professional standing and have a strong track record in the field of social development, resettlement, and tribal development. It should also have a proven record in project monitoring and be able to demonstrate adequate resources.

C. Scope of Work

- 3. The major tasks expected from the external monitoring are
 - (i) Review and verify internal monitoring systems and findings.
 - (ii) Conduct independent investigations of project implementation, including PIUs, local offices, and consultations with village leaders, NGOs, and affected persons, especially women and vulnerable groups.
 - (iii) Prepare independent reports based on monitoring visits.
 - (iv) Suggest major recommendations for remedial actions.
 - (v) Identify lessons learned.
 - (vi) Maintain database of independent surveys.
 - (vii) Suggest remedial actions with time-based outputs.
 - (viii) Certify compliance with requirements of RP and/or TDP.
 - (ix) Share the major lessons from the process both in terms of success and failure.

D. Detailed Tasks

- 4. Prior to commencement, prepare a monitoring plan giving details on
 - (i) Aim and scope of monitoring system
 - Setting up the objectives of monitoring
 - Defining the monitoring system and monitoring cycle
 - Defining the scope of monitoring
 - (ii) **Monitoring strategy**. The general approach to be used to monitor activities and results ensuring participation of all stakeholders, especially women and vulnerable groups.

- (iii) **Project results**. A summary of the major project activities, expected results, and the indicators to be used to monitor the progress and achievement of results.
- (iv) Defining and selecting indicators
 - Identify key indicators to be monitored
 - Indicators for each stage of project implementation
 - Gender-disaggregated indicators
 - Select only those which are simple, specific, and verifiable
- (v) Collection and Analysis of Data
 - Method of data collection
 - Sampling (20% of affected persons)
 - Analysis
- (vi) Verify the internal monitoring process and reporting by executing agency (EA) through field visits and independent investigations.
- (vii) Assess the extent to which the resettlement plan and/or TDP is being followed and objectives being met.
 - Institutional arrangements
 - Adequacy of the Management Information System
 - Payment of compensation, adequacy of budget, and timeliness of payment
 - Land readjustments
 - Consultation and information dissemination
 - Preparation and adequacy of resettlement sites
 - House construction
 - Provision of employment, its adequacy, and income levels
 - Training
 - Gender impacts
 - Rehabilitation of vulnerable groups
 - Infrastructure repair, relocation, or replacement
 - Enterprise relocation, compensation, and its adequacy
 - Transition allowances
- (viii) Monitor the different stages of the project with specific and need-based framework.
- (ix) Monitor the quality, effectiveness, efficiency, and sustainability of the resettlement and/or TDP efforts.
- (x) Monitor the process undertaken by subborrower for implementing resettlement and/or TDP and develop a framework for process monitoring.
- (xi) Highlight the major problems being faced and limitations of implementing the RP and/or TDP and identify corrective measures needed to implement resettlement and/or the TDP effectively.

E. Methodology

- (i) Study the baseline data on income and expenditure, occupational and livelihood patterns, arrangements for use of common property, social organization, leadership patterns, community organizations, and cultural parameters from the available reports.
- (ii) Identify an appropriate set of indicators for gathering and analyzing information on resettlement and/or TDP impacts, the indicators shall include but not be limited to issues such as payment of compensation, relocation, and resettlement assistance, delivery of entitlement packages, restoration of income, and living standards, level of satisfaction by the affected persons, and the quality of resettlement operations.
- (iii) Review results of internal monitoring and verify claims through random checking at the field level to assess whether resettlement and/or TDP objectives have been generally met. Involve the affected persons and community groups in assessing the impact of resettlement for monitoring and reporting purposes.
- (iv) Conduct both individual and community level impact analysis through the use of formal and informal surveys, key informant interviews, focus group discussions, community public meetings, and in-depth case studies of affected persons from various social classes (e.g. scheduled caste, scheduled tribes, other backward castes) to assess the impact of resettlement.
- (v) Identify the strengths and weaknesses of the resettlement and/or TDP objectives and approaches, implementation strategies, including institutional issues, and provides suggestions for improvements in future DFI-funded resettlement planning and implementation.

F. Reporting Requirements

- (i) Monitoring Plan
- (ii) Quarterly reports for large-scale projects reducing over time
- (iii) A baseline survey data report prior to commencement
- (iv) A semi-annual or annual report during resettlement implementation
- (v) Annual monitoring reports for at least two years or until resettlement has been declared successfully completed, if there is no TDP
- (vi) Final Monitoring Report

ANNEX S-12: SUGGESTED SCOPE FOR AN ANNUAL SOCIAL MONITORING REPORT FOR SUBPROJECTS

A. Investment Name and Summary Information

- (i) Location
- (ii) Scale/size/capacity
- (iii) Reporting period covered by this monitoring report (month/year)
- (iv) Specification of investment stage (design, construction, operation or closure stage)
- (v) Key developments and any major changes in investment location and design, if any

B. Relevant Social Safeguards documents

- (i) Issued by government agency(ies) (include name of agency)
- (ii) Issuance dates and duration of validity
- (iii) Gazette Notifications for land acquisition
- (iv) ROW land hand Over letter from NHAI(in case of highway projects)

C. Grievance Redress Mechanism

- (i) Date established and description of organizational arrangements
- (ii) Complaints, grievance, or protests received from local communities, recorded dates and organizations involved, actions taken to resolve grievances; any outstanding issues and proposed measures for resolution

D. Social Management Capacity

- (i) Number of staff, qualifications and experience in social management
- (ii) Frequency of Social monitoring/supervision/audit by subproject team to the site
- (iii) Awareness of: (i) national environmental and social laws and regulations, and (ii) applicable DFIs' social safeguard requirements
- (iv) Training programs carried out
- (v) Assessment of social management capacity needs (including planned capacity building programs)

E. Stakeholder Consultation

- (i) Details of information disclosure and consultations, if any, with affected persons, local communities, civil society groups, and other stakeholders during implementation and operation phase
- (ii) Details of approach/methodology on addressing the concerns and issues raised at consultations

F. Compliance with Social Safeguard Requirements

Total number of project affected persons/households, number of affected ST families and additional assistance provided to them; details of the affected public properties, and initiatives taken for their relocation/ compensation.

Implementation status of the RAP at the construction and/or operations phases of the subproject. Special attention is to be paid to mitigation measures and their monitoring programs. Adequacy of RAP's budget in meeting compensation and resettlement assistance programs; current expenditure status of resettlement. Status of compensation payment to affected persons including to encroachers and squatters.

G. Other Information and Feedback

Please list any other information that may relate to social matters, community initiatives within your company, positive media or NGO attention, training activities, management system initiatives or cost savings through process efficiency and socially viable processes.

Name and Signature

Name:	Date:
Position:	Phone:
Signature:	E-mail:

ANNEX S-13: ANNUAL SOCIAL AUDIT RECORDING SHEET ON THE APPLICATION OF THE SOCIAL SAFEGUARD SYSTEM (THE FORM WILL CONTINUE FOR THE PROJECT LIFE)

Reporting Period	
A. SUB PROJECT BACKGROUND INFORMATION	
1. Name of the Sub-Project:	
2. Name of Concessionaire / SPV: and address with contact	
numbers	
3. Name of Lead Bank and other Co-Lenders with Telephone	
numbers	
4. Contact Details: ESMU / IIFCL with Tel numbers	
5. Location of the Subproject:	
6. Sector / Sub-Sector as per DFIs' Guidelines:	
7. Subloan (US\$ mn):	
8. Status of Subproject Implementation:	
What are the applicable DFIs' safeguard policies in case of this subproject?1	
10. Safeguard impact categories:	
11. Has IIFCL conducted any environmental and social due	
diligence on the subproject?	
12. Number of safeguard site visits completed by IIFCL	
Safeguard Team	
13. History of Previous Annual Audits	
14. Products Placed for Audit in the Current Year	
C. ENGAGEMENT DOCUMENTS WITH LEAD BANK/SPV	
1. Institutional Arrangements	
1a. Financing and budget,	
Are the provisions adequate, timely? Do they address the	
concerns/issues adequately?	
1b Has the Environmental and Social Safeguards Management	
Unit at IIFCL been staffed and trained adequately regarding	
involuntary resettlement and Indigenous Peoples safeguards	
matters?	
2. Resettlement Planning based on Detailed Design	
2a Has the RP been revised following detailed design and	
detailed measurement survey?	
2b Have the compensation rates been disclosed and/or updated	
in the RP?	
3. Indigenous Peoples Planning based on Detailed Design	
3a Has Indigenous Peoples Plan been updated / finalized?	
3b Is there a budget for implementing mitigation actions, if any,	
and to distribute beneficial measures, if any, to Indigenous	
Peoples provided?	
3c Whether above measures implemented with the participation	
of affected Indigenous Peoples?	

¹ Subprojects approved under LN 2404-IND (approved on 20 Dec. 2007), LN 2509-IND (approved on 24 Feb. 2009), LN 2586-IND (approved on 27 Nov. 2009) are required to comply with the Environment Policy 2002, Policy on Involuntary Resettlement (1995), and Policy on Indigenous Peoples (1998). Subprojects approved under LN 2717-IND (approved on 7 Dec. 2010) are required to comply with ADB Safeguard Policy Statement 2009.

24	Whether Indiana up Decales participate in manifering the	
30	Whether Indigenous Peoples participate in monitoring the	
4	project and IPP activities? Consultations, Disclosure and Grievance Redress	
	•	
	Have the affected persons been consulted and discussions properly documented?	
4b	Was the RP or updated RP disclosed to the affected persons? Made available in local language? Disclosed in	
	DFIs or other websites?	
4c	Were meaningful consultations with affected Indigenous	
	Peoples communities conducted and the process and outcomes documented?	
4d	Did a Grievance Redress Committee/Mechanism established? Is it functioning?	
4e	What were the main social, involuntary resettlement and	
	Indigenous Peoples issues associated with this subproject	
	that were identified through due diligence conducted by	
	IIFCL, and how were the issues dealt with (i.e., outcome of	
F	due diligence)?	
	Compensation, Relocation and Rehabilitation	
	Has cash compensation paid to APs at replacement cost? Were physically displaced persons relocated? Has project	
ac	authorities identified relocation sites? Any houses at	
	relocation sites constructed for the physically displaced?	
50	In case of Indigenous Peoples, are there resettlement options	
50	which are culturally-appropriate? Are there any relocation	
	sites for them? In choosing such sites did affected	
	Indigenous Peoples consulted to know whether they consider	
	such sites as appropriate.	
5d	Was there a detailed income restoration or livelihood	
04	development plan with a budget and time frame as part of the	
	resettlement plan? What is the current status of its	
	implementation?	
5e	Are income restoration and livelihood development activities	
	culturally appropriate in case of affected Indigenous Peoples	
	communities?	
6.	Monitoring and Reporting	
6a	Does the subproject have quantitative and qualitative	
	indicators to monitor the performance of social safeguards	
	identified? Have they been monitored regularly?	
6b	Is there an external monitor of the social safeguards of the	
	subproject? Has the expert regularly monitor safeguard	
0-	compliance?	
60	Has Monitoring reporting done on agreed frequency?	
•	D Conclusion on social safeguard compliance status of subproject	
1		

Names of audit team members:	
Reviewed by:	
-	
Date of subproject audit:	
Date of Submission	

Summary of Social Safeguards Compliance in Matrix Format

A. Social Safeguard

No.	Company Name	Subproject Name	Social Safeguard Due Diligence	Compliance Status vis-à- vis DFIs' Safeguard Policies	Social Safeguard Compliance Monitoring and Review by DFIs'	Action Required by IIFCL to Ensure Compliance

LIST OF ANNEXES PERTAINING TO GENERAL SECTION

Annex G-1	Terms of Reference for Environment and Social Assessment	Provides terms of reference for undertaking environmental and social assessment
Annex G-2	Outline Terms of Reference for Project Management Consultant – I	Provides the terms of reference for Project Management Consultant–1 that will work closely with internal staff of IIFCL.
Annex G-3	Outline Terms of Reference for Project Management Consultant – II	Provides the terms of reference for Project Management Consultant–II that will be an external expert and will provide specialized inputs to IIFCL.
Annex G-4	Outline Training Programme for Lead Banks / Sub-borrowers on IIFCL's EMS	Provides outline for training program that is proposed to familiarize lead banks, subborrowers with the requirements of ESSF of IIFCL.

ESSF = Environment and Social Safeguard Framework, IIFCL = India Infrastructure Finance Company Limited

ANNEX G-1: TERMS OF REFERENCE FOR ENVIRONMENT AND SOCIAL ASSESSMENT

1. The consultant shall under take the detailed environmental and social assessment in accordance with the standards set by the Government of India / State Government for infrastructure construction subprojects and the environmental and social safeguard requirements of the DFI funding the subproject.

A. Environmental Impact Assessment

2. Environment impact assessment or initial environment examination be carried out in accordance to the applicable laws/rules/guidelines set out by appropriate body/organization (for e.g. the Government of India, State Government and/or concerned DFI).

3. The consultant should carry out preliminary environmental screening to assess the direct and induced impacts due to the Project.

4. The consultant shall ensure to document baseline conditions relevant to the Project with the objective to establish the benchmarks.

5. For projects with potential for significant adverse environmental impacts, the consultant shall take into account the safeguard requirements of the concerned DFI (Annex E-4).

6. The consultant shall assess the potential significant impacts and identify the mitigative measures to address these impacts adequately.

7. The consultant shall do the analysis of alternatives incorporating environmental concerns. This should include with and without scenario and modification incorporated in the proposed Project due to environment considerations.

8. The consultant shall give special attention to the environmental enhancement measures in the Project for the following:

- (i) Cultural property enhancement along the highways
- (ii) Bus bays and bus shelters including review of their location
- (iii) Highway side landscape and enhancement of the road junctions
- (iv) Enhancement of highway side water bodies
- (v) Redevelopment of the borrow areas located on public land

9. For projects with potential for significant adverse environmental impacts, the consultant will prepare an EIA following the format in Annex E-11 if DFI funding is involved otherwise EIA format will be as specified by Gol's EIA Notification.

10. The consultant shall prepare the Bill of Quantities (BOQ) and technical specifications for all its items of work in such a way that these may be readily integrated to the construction contracts.

11. The consultant shall establish a suitable monitoring network with regard to air, water and noise pollution. The consultant will also provide additional inputs in the areas of performance indicators and monitoring mechanisms for environmental components during construction and operational phase of the Project.

12. The consultant shall provide the cost of mitigation measures and ensure that environmental related staffing, training and institutional requirements are budgeted in Project cost.

13. The consultant shall prepare the application forms and obtain forestry and environmental clearances from the respective authorities including the SPCBs and the MoEF on behalf of CLIENT.

14. The consultant will make presentation, if required, in defending the Project to the MoEF Infrastructure Committee.

15. The consultant shall identify and plan for plantation of the suitable trees along the existing highway in accordance with Indian Road Congress (IRC) guidelines.

16. The consultant shall assist in providing appropriate input in preparation of relevant environment and social sections of the Project.

B. Social Impact Assessment

17. The consultant would conduct base line social-economic and census survey to assess the impacts on the people, properties and loss of livelihood. The social-economic survey will establish the benchmark for monitoring of R&R activities.

18. A social assessment is conducted for the entire Project to identify mechanisms to improve Project designs to meet the needs of different stakeholders. A summary of stakeholders discussions, issue raised and how the Project design was developed to meet stakeholders need would be prepared.

19. The consultant shall prepare Land Acquisition Plan on revenue map and assist CLIENT in acquisition of land under various Acts.

20. The consultant would prepare Resettlement and Rehabilitation Plan, assess feasibility and effectiveness of income restoration strategies and suitability and availability to relocation sites as per guidelines provided in the National Policy on Resettlement and Rehabilitation (2003). All untitled occupants are recorded at the initial stages and identify cards will be issued to ensure there is no further influx of people into the Project area. All consultations with affected persons (to include list of participants) should be fully documented and records made available to CLIENT.

21. Assessment of the impact of the Project on the poor and vulnerable groups along the Project road corridor shall be based on:

- (i) The identified impacts, developing entitlement matrix for the Project Affected Families
- (ii) Assessment on social issues such as indigenous people, gender, HIV/AIDS, labour including child labour
- (iii) Implementation budgets, sources and timing of funding and schedule of tasks
- (iv) Responsibility of tasks, institutional arrangements and personnel for delivering entitlement and plans to build institutional capacity
- (v) Internal and external Monitoring plans, key monitoring indicators and grievance redressal mechanism
- (vi) Incorporating any other suggestions of the CLIENT, till the acceptance of the

reports by the CLIENT

C. Reporting Requirements of EIA

22. The consultant would prepare the stand-alone reports as per the guidelines provided by the Government of India/State Government, with contents as per the following:

- (ii) Executive Summary
- (iii) Description of the Project
- (iv) Environmental setting of the Project
- (v) Identification and categorization of the potential impacts (during pre-construction, construction and operation periods)
- (vi) The public consultation process
- (vii) Policy, legal and administrative framework: This would include mechanisms at the states and national level for operational policies. This would also include a description of the organizational and implementation mechanism recommended for this Project
- (viii) Typical plan or specific designs for all additional environmental items as described in the scope of work
- (ix) Incorporating any other as per the suggestions of the CLIENT, till the acceptance of the reports by the CLIENT
- (x) EMP Reports for each Contract Package based on uniform methodology and processes. The consultant will also ensure that the EMP has all the elements for it to be a legal document. The EMP reports would include the following:
- (xi) Brief description of the Project, purpose of the EMP, commitments on incorporating environmental considerations in the design, construction and operations phases of the Project and institutional arrangements for implementing the EMP
- (xii) A detailed EMP for construction and operational phases with recourse to the mitigation measures for all adverse impacts
- (xiii) Detailed plans for highway-side tree plantation (as part of the compensatory afforestation component)
- (xiv) Environmental enhancement measures would be incorporated. Enhancement measures would include items described in the scope of work and shall be complete with plans, designs, BOQ and technical specifications
- (xv) Environmental monitoring plans during and after construction including scaling add measurement techniques for the performance indicators selected for monitoring
- (xvi) The EMP should be amendable to be included in the contract documents for the works
- (xvii) Incorporating any other as per the suggestions of the CLIENT, till the acceptance of the reports by the CLIENT

D. Reporting requirements of RAP

- (i) Analysis on the Resettlement Action Plan should be conducted based on the National Policy on Resettlement and Rehabilitation (2003). Content of the report should cover:
- (ii) Executive Summary
- (iii) Description of Project
- (iv) Objectives of the Project

- (v) The need for resettlement in the Project and evaluation of measures to minimize resettlement
- (vi) Definition of Project Affected persons and the eligibility criteria
- (vii) Description and results of public consultation and plans for continued participation of Project s
- (viii) Census and survey results-number affected, how are they affected and what impacts will they experience
- (ix) Legal and entitlement policy framework-support principles for different categories of impact
- (x) Arrangements for monitoring and evaluation (internal and external)
- (xi) Implementation schedule for resettlement which is linked to the civil works contract
- (xii) A matrix of scheduled activities linked to land acquisition procedures to indicate clearly what steps and actions will be taken at different stages and the time frame
- (xiii) The payment of compensation and resettlement during the acquisition process
- (xiv) An itemized budget (replacement value for all assets) and unit costs for different assets

ANNEX G-2: OUTLINE TERMS OF REFERENCE FOR PROJECT MANAGEMENT CONSULTANT-I

1. PMC-I will provide core support to ESMU of IIFCL in operation of the ESF.

2. PMC-I will be identified through competitive bidding. PMC-I will need to have at least 10 years of experience as an organization in Environmental and Social Assessment (ESA), especially on obtaining Environmental Clearance (EC), should have worked on ESA of projects that have received international donor funding and has resident team that has core ESA competencies.

3. PMC-I will provide one full time environmental and one full time social assessment specialist to IIFCL. In addition, PMC-I will support ESMU/IIFCL by providing Field ESA specialists and ESA Training specialists on needs basis.

4. The full time as well as Field Assessment Environmental Specialist will be masters in Environmental Science/Engineering/Planning with at least 5 years of experience. Previous experience in preparing EIAs and obtaining EC at Centre and State levels for infrastructure projects will be essential.

5. The full time as well as Field Assessment Social specialists will have a Masters in Social Development and allied areas with at least 5 years of experience in the preparation of Resettlement Action Plans (RAP) and Indigenous Peoples Development Plans (IPDP).

6. The Training Specialists will have at least a Masters qualification in ESA with 10 years of experience in practicing ESA with at least 3 years of experience on conducting training programmes in ESA.

7. The full time two specialists will work at IIFCL and report to Head, ESMU. Through the two full time specialists, following services will be rendered by PMC-I to ESMU/IIFCL.

- **Task 1:** Conduct compliance review The specialists will review project documentation received from Lead Bank/SPV; check applicability of all applicable national, state and local environmental and social policies and regulatory requirements; donor requirements especially on the process to be followed and identify gaps if any for action at the end of Lead Bank/SPV.
- **Task 2:** Check adequacy and effectiveness of EMPs/RAPs/IPDPs The specialists will review the EMPs/RAPs/IPDPs and check their adequacy and effectiveness in mitigating adverse environmental and social issues, appropriateness of the budget and robustness of the institutional mechanism for implementation and monitoring. Make suggestions if there are deficiencies to the Lead Bank/SPV.
- **Task 3:** Develop conditions as loan covenants that stipulate requirements or outcomes of EMP/RAP/IPDPs.
- **Task 4:** Prepare Memo for Board on the basis of Tasks 1, 2, and 3.
- **Task 5:** Prepare sector specific checklists, guidelines, monitoring and reporting formats to strengthen ESF. These guidelines will make use of materials developed by GOI and MDBs (**Annex E-15, E-16, E-17, E-18,** and **E-20** illustrate such guidance materials of relevance to Lead Banks/SPVs. PMC-I will build a compendium to this effect and provide to the Lead Banks/SPVs).

- **Task 6:** Coordinate with Field Environmental and Social Specialists for assessment, monitoring and review as required. These Field Specialists will be provided by PMC-I through its pool of resources. The full time ESA specialists will recommend to the Head, ESMU need to deploy Field Environmental and Social Specialists based on information requirements, interest on independent checking, project sensitivity, time pressures etc.
- **Task 7:** Coordinate with Lead Banks/SPVs to provide support to independent environmental and social auditors (PMC-II) for preparing IIFCL's Annual Environmental and Social report. The specialists will work closely with the Lead Banks/SPVs as well as the auditors to ensure that required information is compiled and provided in a timely manner.
- **Task 8:** Prepare progress and performance reports for the various donors. **Annex E-22** provides a guideline.
- **Task 9:** Coordinate with the Training Specialists to provide guidance to the Lead Banks/SPVs on project processing under ESF/Social Management System. The specialists will identify training needs and work closely with Training Specialists provided by PMC-I to conduct training programmes at Lead Bank/SPV on a regular basis, conduct evaluation of the training programmes and prepare reports.
- **Task 10:** Update ESF/Social Management System based on operational experience.

8. Fees to PMC-I will be paid for the provision of full time staff (two ESA specialists) and towards need based usage of other staff (Field and Training Specialists) on agreed daily rates. ESMU/IIFCL will provide the office space, office support such as computers, stationary and communication facilities. All field travel for work will be reimbursed following the norms as applicable at IIFCL.

9. In case of any dissatisfaction on the services and qualifications of the full time or part time staff, PMC-I will be obligated to do requisite replacement.

ANNEX G-3: OUTLINE TERMS OF REFERENCE FOR PROJECT MANAGEMENT CONSULTANT-II

1. PMC-II will be responsible to conduct annual environmental and social audit of IIFCL's ESF.

2. PMC-II will be identified through competitive bidding. PMC-II will need to have at least 10 years of experience as an organization in Environmental and Social Assessment (ESA), especially on obtaining Environmental Clearance (EC), should have worked on ESA of projects that have received international donor funding and has resident team that has core ESA competencies.

3. PMC-II will provide one senior environmental and one senior social assessment specialist for conducting annual environmental and social audit.

4. The Senior Environmental Specialist will be masters in Environmental Science/ Engineering/ Planning with at least 10 years of experience. Previous experience in reviewing/auditing EIAs and obtaining EC at Centre and State levels for infrastructure projects will be essential.

5. The Senior Social specialists will have a Masters in Social Development and allied areas with at least 10 years of experience in the preparation/assessment of Resettlement Action Plans (RAP) and Indigenous Peoples Development Plans (IPDP).

6. These two specialists will work closely with specialists provided by PMC-I during the planning, conduct and closure of the annual environmental and social audit.

7. The audit will check whether the procedures as stipulated in the ESF have been followed, whether the outcomes (e.g. reports) have been satisfactory, whether the decisions taken were appropriate and whether the actions recommended were taken in full and on timely basis.

- 8. The tasks to be completed shall be as follows.
 - **Task 1:** Verify whether the procedures as per the ESF have been followed at ESMU/IIFCL for all sub-projects that have been appraised and financed.
 - **Task 2:** Design audit recording sheet for sub-projects in consultation with ESMU/IIFCL that would meet IIFCL's as well as donor requirements. See **Annex E-20** as a sample. Provide the format to ESMU/IIFCL to compile data on all sub-projects that are appraised and financed.
 - **Task 3:** Analyze data compiled by ESMU/IIFCL following the audit recording sheet. Request additional information if needed to complete assessment
 - **Task 4:** Develop audit programme by identifying projects that will be assessed through data alone and through field visits as per the approach outlined in **Figure 6** of ESF document.
 - **Task 4:** Conduct field visits as per the agreed audit programme. Complete audit recording sheets by adding field observations
 - **Task 5:** Prepare report for ESMU/IIFCL with suitable appendices, summarizing observations, corrective actions needed as relevant for each sub-project that is audited, make suggestions for improvements at ESMU/IIFCL as well as at Lead

Banks/SPVs and recommend updation in the ESF where appropriate

9. Fees to PMC-II will be paid on lump sum basis for providing the above service, ESMU/IIFCL will provide the data, do required coordination with Lead Banks/SPVs, provide office space, office support such as computers, stationary and communication facilities. All field travel for work will be reimbursed following the norms as applicable at IIFCL.

ANNEX G-4: OUTLINE TRAINING PROGRAMME FOR LEAD BANKS/SPVs ON IIFCL'S ESSF

Day 1:

Morning session

Environmental and Social Issues in Infrastructure Projects (two presentations)

Discussions

Afternoon session

Overview of Environmental and Social Policies and Regulatory Framework in India (two presentations)

Discussions

Day 2:

Morning session

IIFCL's Environmental and Social Management System (ESMS) – Policy, Procedures and Benefits

(two presentations)

Discussions

Afternoon session

Case studies on Subprojects that have followed IIFCL's ESMS

Discussions

A Project Climate Risk Assessment and Management Reporting Template

I. Basic Project Information

Project Budget:	
Location: India	
Sector: Energy, Transpo	ort
Theme: Environmentally	y sustainable growth (ESG) ; Governance and capacity development (GCD)
improve project manager conformity with ADB requ	project aims to: (i) enhance availability of long-term finance for PPP subprojects and (ii) nent. The indicative pipeline of subprojects will be subject to due diligence to ensure nirements (Supplementary Appendix B). Subprojects will be finance for roads, ports, energy rgy), and urban infrastructure. The pipeline comprises 36 subprojects for direct lending and

Project component 1. Construction of highways			6	Sensitivity to climate/weather conditions and sea level 1. Monsoon and intense heat climate variability;		
	 Construction of transmission lines and renewable energy installations, e.g. wind turbines, solar panels Construction of ports and road pavements 		sion lines and	 Intensity and frequency of heavy rainfall events; floods and strong winds brought about by typhoons 		
			d road pavements	3. Flooding		
Β.	Cli	mate Risk Screening				
Ris	Risk topic Description		Description of the r	risk		
	1.	Increased typhoon intensity		orms may strike transmission wires and electrocute nearby and farm animals		
	2.	Increase in rainfall intensity	 Increased rainfall intensity may cause flooding along the highways and bypasses 			
	3.	Sea level rise	3. Higher tidal	al waves along the port areas		
Cli	mate	e Risk Classification	M	/EDIUM		
2	Cli	mate risk assessmen				

III. Climate Risk Management Response within the Project

incorporated into the project design as needed.

As this is an FI project, ADB will encourage the intermediary institution to consider the following as guidelines in designing and/or selecting sub-projects for financing:

- For transmission line projects, the projects should be designed to consider wind zone, terrain type, forest stretches, and crossings to be encountered along the transmission line route. The heights of the power line crossing towers will be estimated by studying the crossing points and adjustment of spans. Towers will be designed using IS-802 standards. Tower design under security condition shall be 75% of full wind pressure for suspension towers. In case of thunderstorms, the towers will be equipped with an automatic shutdown mechanism to avoid possible electrocution of nearby community and inhabitants
- 2. Marshy low lying areas, river beds and earth sleep zones should be avoided to enable accessibility to the site during either monsoon or dry season
- 3. Drainages and canals should be built on the sides of the highways constructed to minimize, if not totally avoid, incidences of flooding, especially during monsoon season
- 4. Ports and areas near bodies of water should be elevated in anticipation of increased precipitation and possibility of sea level rise