

PERIODIC FINANCING REQUEST FOR PROJECT 2

Date:

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

ATTENTION: Mr. Hun Kim
Director General, South Asia Regional Department
Fax No. 632 636 2212

Dear Mr. Kim:

RE: Assam Power Sector Investment Program: Periodic Financing Request No. 2

Please refer to the Framework Financing Agreement (FFA) for Assam Power Sector Investment Program dated 13 May 2014 between Asian Development Bank (ADB) and INDIA. Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, INDIA (the Borrower) requests ADB to process this PFR for a tranche, in the form of loans from its OCR resources. The proposed financing amounts, terms, conditions, and financing plan are specified in Attachment A hereto. Descriptions of the investment project for which financing is hereby requested are set out in Annexes 1 through 10 of Attachment A hereto.

It is our understanding that ADB's Articles of Agreements are designed to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted. Recognizing this, the Borrower certifies that it wishes ADB to process the said PFR for the purposes of carrying out a part of the Assam Power Sector Investment Program in accordance with the provisions of the FFA, the loan and project agreements, and supplementary documents to be agreed between ADB and the Borrower.

We understand that this representation will be relied upon by ADB in approving the PFR and in approving future account arrangements and the placement of funds advanced thereto.

By: INDIA

Authorized Representative

Attachment A

Project Description The proposed Tranche 2 project has two major outputs:

Output 1: Expanded and upgraded power distribution system includes:

- (i) construction of one new 33/11 kV substation, install the associated terminal equipment, and associated 33 kV (4 km) and 11 kV (6 km) lines;
- (ii) construction of 137 km of 33 kV lines;
- (iii) construction of 33 kV railway line crossings and river crossings;
- (iv) construction of 11 new 33 kV bays to serve new 33 kV lines at 33/11 kV substations and grid substations;
- (v) construction of 7 km of 11 kV lines for the segregation of the rural and agricultural feeders;
- (vi) re-conductoring and refurbishment of 955 km of 33 kV lines;
- (vii) re-conductoring and refurbishment of 1000 km of 11 kV lines;
- (viii) re-conductoring and refurbishment 1555 km of low voltage lines;
- (ix) construction of 6 new 33 kV bays to serve existing 33 kV lines;
- (x) replacement of 204 existing oil-filled distribution transformers with dry-type transformers; and
- (xi) replacement of exiting 14 km of overhead 11 kV and low voltage line with underground cable.

Output 2: Strengthening institutional capacity of APDC includes:

- (i) setting up of one independent meter testing laboratory;
- (ii) establishing one IT module to expand the centralized uniform revenue billing system for 1.2 million customers;
- (iii) establishing two area load dispatch centers; and
- (iv) project management, supervision and implementation support.

The subprojects proposed under Tranche 2 are part of the Government of Assam's (GOA's) road map and investment plan for the power sector, and meet the criteria outlined in Schedule 4 of the FFA. Therefore, Tranche 2 subprojects are eligible for funding under the MFF.

The Design and Monitoring Framework for this tranche is in **Annex 1**. Additional project details are in **Annex 2**.

Cost Estimates and Financing Plan The total cost of the project is estimated to be approximately US\$ 60 million, inclusive of taxes, duties, and contingencies as shown below. The detailed cost estimates and financing plan by financier are in **Annex 3**.

	(\$ million)		
	ADB	GOA	Total
A. Investment Costs (Contract Packages)			
Civil works and erection	7.82	1.50	9.32
Equipment	36.15	3.17	39.32
Consultants	1.40	0.10	1.50
Subtotal A	45.37	4.77	50.14
B. Other Investment Costs			
Land and preparatory works	0.00	0.36	0.36
Safeguards mitigation	0.00	0.60	0.60
Project Management	0.00	4.36	4.36
Subtotal B	0.00	5.32	5.32
Total Base Cost	45.37	10.09	55.46
C. Contingencies			
Physical	0.91	0.75	1.66
Price	1.72	0.00	1.72
Subtotal C	2.63	0.75	3.38
D. Finance charges during implementation			
IDC	0.00	1.11	1.11
Commitment charges	0.00	0.04	0.05
Subtotal D	0.00	1.15	1.15
TOTAL	48.00	12.00	60.00

Loan Amount and Terms The request is for a loan of \$48 million from the Ordinary Capital Resources (OCR) of the Asian Development Bank (ADB) provided under ADB's London interbank offered rate (LIBOR)-based lending facility, with a 25 year term including a grace period of 5 years, an interest rate determined in accordance with ADB's LIBOR-based lending facility, and such other terms and conditions as agreed in the FFA, and further supplemented under the Loan and Project Agreements.

Period of Loan/Guarantee Utilization The physical works under the project are expected to be completed by 30th June 2019. The loan closing date will be 31st December 2019 in line with Section 3.05 of the draft Loan Agreement. Withdrawal applications from the borrower may be accepted during the winding-up period after the closing date in accordance with the ADB's Loan Disbursement Handbook 2015.

Advance Contracting Advance contracting is requested for procurement of goods, related services, works, and recruitment of consultants.

Retroactive Financing

Retroactive financing is requested for the eligible expenditures, not exceeding the amount of 20% of the loan amount, incurred before loan effectiveness, but not earlier than 12 months before the signing of the legal agreement.

Implementation Arrangements

A Steering Committee, co-chaired by the Chairman, Assam Power Distribution Company Limited along with the Secretary, Department of Power, GOA, will serve as the oversight body, and APDCL will be the EA for Tranche 2. The Project Management Unit (PMU) under the Chairman of Assam Power Distribution Company Limited (APDCL), will function for overall project coordination. The PMU will be responsible for implementing, monitoring, and reporting the progresses of project implementation to ADB, the Government of India, and GOA. The PMU's responsibilities, in particular, will include: (i) overall coordination, macro level project management and monitoring; (ii) annual budget preparation and monitoring utilization of loan proceeds; (iii) progress reporting, including reports on financial management, safeguard compliance and project impact; and (iv) ensuring compliance with MFF undertakings and loan covenants. The PMU will also be responsible for administration, and financial and technical supervision of the subprojects, including procurement of goods and services, engagement of consultants, engineering and construction contractors, and monitoring subproject operation performance. Department of Power, GOA will support the policy related issues and in dealing with the central agencies, and government budgetary matters. A Project Implementation Unit (PIU) has been established under APDCL, which will have the responsibilities of overall day to day implementation of the project, including supervising the output of project implementation support consultants.

Project Implementation Organizations	Management Roles and Responsibilities
• GOA	➤ Supports policy and budgetary related issues and in dealing with the central agencies
• APDCL (PIU)	➤ Responsible for the day to day project implementation
• Project Management Unit (PMU)	➤ Responsible for project coordination, monitoring and administration
• ADB	Will undertake regular project reviews and facilitate project implementation

A project administration manual (PAM) has been prepared for this tranche.

Procurement and Consulting Services	<p>All goods and services to be funded under the Tranche 2 will be procured following <i>ADB's Procurement Guidelines</i> (April 2015).</p> <p>The procurement plan is attached as Annex 4. Terms of reference for the engagement of project implementation consultants under this tranche is attached as Annex 5.</p>
Disbursement	<p>The Loan proceeds will be disbursed following <i>ADB's Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed between India and ADB.</p>
Confirmation of Continuing Validity of and Adherence to Provisions of FFA, Previous Agreements, and the Design and Monitoring Framework	<p>India confirms that the understandings set out in the FFA and provisions of previous loan agreements for Loan 3140 have been adhered to, and remain true to date.</p> <p>A full report on compliance is attached as Annex 6.</p>
Readiness of the Project for Implementation	<p>The following actions which are necessary and/or already accomplished that make the Tranche 2 project ready for financing:</p> <ul style="list-style-type: none"> (i) PMU and PIU at APDCL have been established and fully staffed. (ii) The detailed project report comprising the project scope and design, and demonstrating the project's technical, financial and economic viability has been approved by the Board of Directors of APDCL. The Financial and Economic analyses, which demonstrate financial and economic viability of the Tranche 2 project investments, are in Annexes 7 and 8. (iii) An Initial Environmental Examination and Resettlement Plan have been prepared and agreed to by APDCL and submitted to ADB during the fact finding mission; and (iv) Bidding documents for 5 procurement packages with an estimated total contract value of \$50 million will be issued between April 2015 and May 2015. <p>Project readiness details are presented in Annex 9.</p>
Safeguards	<p>The following safeguards documents, attached as Annex 10, have been prepared and disclosed to the public:</p> <ul style="list-style-type: none"> 1. Initial Environmental Examination (IEE) 2. Resettlement Plan (RP)

List of Annexes*

1. Design and Monitoring Framework
2. Project Description
3. Project Cost Estimates
4. Procurement Plan
5. TOR for Project Management, Supervision and Implementation Support Consultant
6. Loan 3140: Covenants compliance
7. Financial Analysis of the Project
8. Economic Analysis of the Project
9. Project readiness table
10. Safeguards documents

*Available on request