



Periodic Financing Request Report

Project Number: 36330-043
MFF Number: 0060
November 2017

India: Railway Sector Investment Program (Tranche 3)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 November 2017)

Currency Unit	–	Indian rupee (₹)
₹ 1.00	=	\$ 0.0155
\$ 1.00	=	₹ 64.53

ABBREVIATIONS

ADB	–	Asian Development Bank
CDM	–	clean development mechanism
EIRR	–	economic internal rate of return
FFA	–	framework financing agreement
FIRR	–	financial internal rate of return
km	–	kilometer
LIBOR	–	London interbank offered rate
MFF	–	multitranches financing facility
MOR	–	Ministry of Railways
NAMA	–	National Appropriate Mitigation Actions
OCR	–	ordinary capital resources
PFR	–	periodic financing request
RSIP	–	Railway Sector Investment Program
RVNL	–	Rail Vikas Nigam Limited
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of India and its agencies ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2016 ends on 31 March 2016.
- (ii) In this report, "\$" refers to US dollars.

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TRANCHE AT A GLANCE

1. Basic Data		Project Number: 36330-043	
Project Name	Railway Sector Investment Program - Tranche 3	Department /Division	SARD/SATC
Country Borrower	India India	Executing Agency	Ministry of Railways
2. Sector		ADB Financing (\$ million)	
✓ Transport	Subsector(s) Rail transport (non-urban)		120.00
		Total	120.00
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Subcomponents Pillar 2: Access to economic opportunities, including jobs, made more inclusive Global and regional transboundary environmental concerns	Mitigation (\$ million)	120.00
Environmentally sustainable growth (ESG)		CO ₂ reduction (tons per annum)	1,500,000
		Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Components Institutional development	No gender elements (NGE)	✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	Yes	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG9		
6. Risk Categorization:		Complex	
7. Safeguard Categorization Environment: B Involuntary Resettlement: A Indigenous Peoples: B			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		120.00	
Sovereign MFF-Tranche (Regular Loan): Ordinary capital resources		120.00	
Cofinancing		0.00	
None		0.00	
Counterpart		210.00	
Government		210.00	
Total		330.00	

I. BACKGROUND

1. On 8 July 2011, the Government of India and the Asian Development Bank (ADB) signed a framework financing agreement (FFA) for the Railway Sector Investment Program (RSIP). The ADB's Board of Directors approved a multitranche financing facility (MFF) for \$500 million equivalent from its ordinary capital resources (OCR) for the program on 31 August 2011. The total project cost is estimated at \$1.1446 billion equivalent.¹ The availability period of the MFF is up to 10 August 2021, and the final periodic financing request (PFR) must be submitted by 31 December 2017.

2. The RSIP will increase the capacity of the rail network to meet traffic demand and help sustain the country's economic growth by (i) improving the physical rail infrastructure through electrification, and expanding capacity by double-tracking critical routes; (ii) increasing the efficiency of the existing infrastructure by introducing modern signaling systems; and (iii) improving operational and financial efficiency through institutional reforms, for instance by bringing accounting standards in line with the Government Accounting Standards Advisory Board (GASAB). The RSIP will help to (i) improve energy efficiency and reduce fuel consumption; (ii) reduce pollution, thus benefiting the environment; (iii) improve railway safety and lower transport costs for railway users; (iv) increase line capacity and decrease logistics costs, which will benefit both consumers and producers of goods and services; and (v) improve staff productivity.

3. The MFF adopts the time-slicing approach for large scale projects, where individual tranches finance slices of long-term works and supply contract packages under subsequent tranches based on the financial projection for each contract package and the actual progress of project implementation.

4. Tranche 1 was approved on 18 October 2011 for \$150 million in OCR to finance slices of investment subprojects and institutional development.

5. Tranche 2 was approved on 6 February 2014 for \$130 million in OCR to finance procurement of track components that will be installed in the railway lines being improved under the RSIP. A partial cancellation of \$10 million became effective on 29 April 2016 and the net loan amount is now \$120 million.

6. On 1 June 2017, ADB received the government's PFR for tranche 3 for \$120 million in OCR to finance the completion of investment subprojects and procurement of track components started under tranches 1 and 2. The completion of investment subprojects and procurement of track components under tranche 3 satisfies the selection criteria for projects to be funded under the MFF as set forth in Schedule 4 of the FFA.²

7. This PFR report for tranche 3 summarizes the contents of the documents submitted with the government's PFR, and explains the steps that are being followed to comply with the tranche review, due diligence, and approval processes.

¹ At the time of RSIP approval, it is expected that the entire project scope will be achieved at cost of \$907.4 million.

² An assessment of the economic feasibility and financial sustainability of all subprojects under the RSIP was conducted during the processing of the MFF. The validity of this assessment was confirmed during processing of tranche 3 by the updated economic and financial analyses (Appendix 6). An assessment of impacts on the environment, involuntary resettlement, and indigenous peoples for all subprojects in the railway corridors under the RSIP was conducted during processing of tranche 1 of the MFF; this included an assessment of impacts from installation of the track components procured under tranche 3. The due diligence reports in Appendixes 8 and 9 summarize the progress made in implementing safeguards to address those impacts.

II. ASSESSMENT OF IMPLEMENTATION

8. **Tranche 1.** The loan became effective on 5 October 2012 and the loan closing date is 30 June 2018. Tranche 1 finances slices of long-term works, goods, and services contracts to (i) double-track about 840 kilometers (km) of existing railway lines and (ii) electrify about 640 km of railway lines. The Ministry of Railways (MOR) is the executing agency and Rail Vikas Nigam Limited (RVNL) is the implementing agency for the project. A general consultant has been engaged under the RSIP to support RVNL in program management, and project management consultants have been engaged by RVNL as the Engineer for all contracts.

9. The loan finances slices of long-term time-sliced works and supply contract packages; the balance of these contracts will be financed by tranche 3 based on the financial projection for each contract package and the actual progress of project implementation.

10. All contracts for goods, works, and consulting services financed under tranche 1 were awarded during 2012–2017 in accordance with the project implementation schedule. Bidding for three civil works packages was canceled after the design criteria for the Sambalpur–Titlagarh section changed, which would have resulted in major delays in the implementation of these contracts because of the redesign of the alignment and all related structures. The three packages were withdrawn from ADB financing and will be implemented with 100% counterpart funds from the government after the design is revised. However, since the subproject will remain a part of the RSIP, ADB's Safeguard Policy Statement will apply.

11. Out of the loan amount of \$150 million, \$149 million (99% of the loan amount) were committed for works, supply of goods and consulting services contracts; the cumulative amount of disbursements was \$128 million (85% of the loan amount) as of 2 November 2017.

12. **Tranche 2.** The loan became effective on 28 March 2014; the loan closing date is 30 June 2019. Tranche 2 is financing the procurement of track components (e.g., rails and thick-web switches) to be installed in railway lines being upgraded under the RSIP. The net loan amount is now \$120 million after a partial cancellation of \$10 million which became effective on 29 April 2016. Two goods contracts were awarded in 2014 and a third package was awarded in 2015. The loan is also financing a slice of the consulting package awarded in 2013 under tranche 1.

13. Out of the net loan amount of \$120 million, \$119 million (99% of the loan amount) was committed for works, supply of goods and consulting services contracts. The cumulative amount of disbursements was \$90 million (75% of the loan amount) as of 2 November 2017.

14. **Sector road map.** Infrastructure upgrades to improve the efficiency, safety, and reliability of railway operations are ongoing with funding under tranches 1 and 2. With commissioning of the first block sections of the investment projects, the benefits from the RSIP are gradually being realized. However, the full benefits will be realized only after all block sections are commissioned and the electrification project is completed. By then, the Chennai–Mumbai corridor will be fully electrified and double-tracked and the other subprojects will also be double-tracked and will have upgraded signaling systems. This will result in the anticipated benefits, such as reduced travel times and more trains being operated on these lines.

15. Implementation of the accounting reform is on track. A new web-enabled accounting application has been implemented on all 17 zonal railways after successful pilot implementation on 3 zonal railways (the Northern Railway, the North Eastern Railway, and the North Western Railway). Further to this, Indian Railways has also taken up a project to prepare accrual-based

financial statements in addition to existing cash-based financial statements, besides pilot studies on performance costing and outcome budgeting on Northern Railway.

16. The clean development mechanism (CDM) component focuses on demonstration of carbon emission reductions from the investment program. It was originally envisaged that this will be pursued as a CDM project. It has, however, been agreed that the modality will be changed from CDM to Nationally Appropriate Mitigation Action (NAMA).³ The attached technical assistance (TA) was adjusted accordingly and was completed in December 2016.⁴ The TA activities have resulted in quantifying the emission reduction potential of the railway sector and hence demonstrating clear potential for Indian Railways to participate in global climate mitigation programs. Relevant Indian Railways staff are familiar with quantifying emissions and emissions reductions from railway transport and an Environment Directorate responsible for implementing environmentally sustainable initiatives in MOR has been established.

17. **Procurement and project implementation capacity.** RVNL has adequate capacity and staff assigned to the project implementation unit to carry out procurement and to monitor implementation of the investment projects. Project management consultants recruited by RVNL are acting as Engineer for the works contracts. RVNL also hired a general consultant to further support the investment program's overall implementation management, including ADB's reporting requirements.

18. **Project cost.** At appraisal, the project was estimated to cost \$1.1446 billion. However, it was reduced to \$907 million by the time the government submitted the PFR for tranche 3. The cost reduction is mainly because of savings derived from international competitive bidding for all contracts and exchange rate fluctuations. Total ADB financing is therefore estimated to be \$390 million of the approved \$500 million; the remaining \$110 million will not be utilized and will be canceled upon project completion. Despite the reduced cost, the full scope of the project as described in the report and recommendation of the President will be implemented.

19. **Project implementation delays.** Implementation delays were mainly caused by the poor performance of works contractors. Several contracts had to be terminated, repackaged, and rebid, which resulted in delays of 1–2 years. To ensure that these contracts can be completed with ADB financing under the investment program, the availability period of the MFF has been extended to 30 August 2021.

20. **Environmental safeguards.** Construction works are in progress in all packages under tranche 1. RVNL's project implementation unit and the project management consultants are carrying out regular compliance monitoring and inspections. The environmental management plan and the monitoring plan are being implemented satisfactorily, and no major grievances have been received. Further details are provided in the environmental due diligence report (Appendix 8).

³ Under the European Union Emission Trading Scheme, which is the main global carbon market, a decision has been made that Certified Emission Reductions, or carbon credits, can be purchased exclusively from CDM projects in Least Developed Countries (LDCs). India is not an LDC, and hence there will be no benefit in pursuing the preparation of a CDM project. NAMA is considered one of the most promising new mitigation mechanisms for developing countries.

⁴ A NAMA proposal has been prepared with support from the TA. However, no NAMA or climate mitigation proposal has yet been submitted by the Government of India to the United Nations Framework Convention on climate change for registration.

21. **Social safeguards.** As of July 2017, 31 acres out of 109 acres of private land have been acquired, and about 374 households out of 1,538 (24%) have received compensation and resettlement assistance. A total of ₹380.8 million has been disbursed in land acquisition and resettlement benefits to date. The land acquisition and resettlement process experienced significant delays from 2012 to 2015 as India's new Land Acquisition Act (2013) came into force and because of the initial poor performance of the nongovernment organization recruited to implement the resettlement plans. Since 2016, land acquisition and resettlement activities have been improving steadily. All activities related to the livelihood program were completed in August 2016. That program had 154 participants, including 46 women. Semiannual reports have been submitted to ADB and were disclosed regularly. The resettlement due diligence revealed issues with poor monitoring, disputed ownerships claims, and cases where resettlement benefits have not been fully realized. RVNL is addressing these in accordance with a time-bound corrective action plan. Details are presented in the resettlement due diligence report disclosed on the ADB website (Appendix 9).⁵

22. Based on the social due diligence undertaken during project preparation and the review during project implementation, the only impacts on scheduled tribe households are related to resettlement impacts. The project was categorized as B for indigenous peoples impact during the MFF and tranche 1 preparation; an indigenous peoples planning framework was prepared and disclosed on the ADB website. The social impact assessment confirmed that the project does not impact tribal lands and that affected schedule tribe households are well mainstreamed into the broader society.

23. **Compliance with framework financing agreement undertakings and loan covenants.** Review missions for tranches 1 and 2 confirmed that all FFA undertakings and loan covenants attached to these tranches have been or are being complied with.

III. PERIODIC FINANCING REQUEST

A. Impact and Outcome

24. The impact of the RSIP and tranche 3 will be improved transport network and greater mobility. The outcome of the RSIP and tranche 3 will be energy-efficient, safe, reliable, affordable and environmentally friendly railway system developed.

B. Outputs

25. The outputs of tranche 3 will be completion of all subprojects financed under tranche 1 and 2 — double-tracking 840 km of railway tracks and electrifying 640 km.

C. Investment and Financing Plans

26. The tranche is estimated to cost \$330 million (Table 1).

⁵ <https://www.adb.org/sites/default/files/project-documents/36330/36330-043-sddr-en.pdf>

Table 1: Tranche Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^a	
1. Railway Improvement Component ^b	220.0
2. Taxes and Duties (exclusively for civil works) ^c	5.0
Subtotal (A)	225.0
B. Recurrent Cost	22.0
C. Contingencies^d	60.5
D. Financing Charges During Implementation^e	22.5
Total (A+B+C+D)	330.0

^a In mid-2017 prices.

^b Includes taxes and duties of \$15 million to be financed from government resources.

^c Taxes and duties for those other than civil works to be financed from government resources.

^d Physical contingencies computed at 5% for civil works. Price contingencies computed at 0.8% on foreign exchange costs and 6% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for ADB loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: Asian Development Bank, Ministry of Railways and Rail Vikas Nigam Limited.

27. The government has requested a loan of \$120 million from ADB's ordinary capital resources to help finance the third tranche of the project. The loan will have a 20-year term, including a grace period of 5 years and straight-line repayment method, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan and project agreements.

28. The financing plan is in Table 2.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	120.00	36.36
Government	210.00	63.64
Total	330.00	100.00

Sources: Asian Development Bank, Ministry of Railways and Rail Vikas Nigam Limited.

D. Implementation Arrangements

29. The implementation arrangements are summarized in Table 3 and described in detail in the facility administration manual.⁶ The updated procurement plan is also in the facility administration manual.

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	10 years (August 2011–June 2021)
Estimated completion date	30 June 2021

⁶ Facility Administration Manual (Appendix 4).

Aspects	Arrangements
Management	
(i) Executing agency	Ministry of Railways (MOR)
(ii) Implementing agency	Rail Vikas Nigam Limited (RVNL) for the railway improvement component
(iii) Implementation unit	RVNL head office in Delhi, and 5 RVNL project offices: Number of staff proposed: 50
Procurement (ADB-financed contract packages)	No award of additional contracts expected under tranche 3.
Retroactive financing and advance contracting	Goods, works, and consulting services
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.

ADB = Asian Development Bank, MOR = Ministry of Railways, RVNL = Rail Vikas Nigam Limited
Sources: Asian Development Bank, Ministry of Railways, and Rail Vikas Nigam Limited.

E. Project Readiness

30. Project readiness for tranche 3 is high. All subprojects to be funded under the investment program have been appraised by ADB during processing of the MFF. Tranche 3 finances the third slice of projects for (i) completion of the works in subprojects financed under tranche 1, (ii) completion of procurement of rails and switches started under tranche 2 and (iii) ongoing general consulting services. All contracts have been awarded, and rebidding for three terminated contracts is ongoing, with bid evaluation at an advanced stage.

F. Advance Contracting and Retroactive Financing

31. Management approved advance contracting in November 2010 for the procurement of goods, works, and consulting services under this MFF. The government has requested retroactive financing for the goods, works, and related services to be procured under tranche 3. Once retroactive financing is approved by ADB Management, up to 20% of the amount of the loan proceeds (for the third tranche \$24 million—20% of the third tranche of \$120 million) is eligible for retroactive financing, provided that expenditures are incurred on goods, works, and consulting services for the investment program in accordance with agreed procedures and during the 12 months before the signing of the loan and project agreements for tranche 3. The government, MOR, and RVNL have been informed that approval of any documents under advance contracting action does not in any way commit ADB to finance the ensuing subprojects.

IV. DUE DILIGENCE

A. Technical

32. Tranche 3 will finance slices of projects for completion of works, goods, and consulting services started under tranche 1 and procurement of track components such as rails and thick-web switches financed under tranche 2. The track components will be installed by the civil works contractors engaged under tranche 1. Feasibility studies, detailed engineering designs, and bid documents for all contracts have been prepared prior to processing the MFF and all contracts were awarded during 2012–2017. No additional subprojects will be financed under tranche 3.

B. Economic and Financial

33. **Economic analysis.** The economic evaluation was carried out in accordance with ADB guidelines by comparing life-cycle costs in with- and without-project cases, using a 12% discount rate and the economic internal rate of return (EIRR) as decision criteria.⁷ The economic evaluation of the investment program, originally conducted in 2011 and updated in 2014, was updated based on awarded contract costs, latest railways operating data, and recent socioeconomic growth trends. The investment program is expected to deliver significant benefits through vehicle operating cost savings, travel time savings, and decreased freight traffic on the road network. The EIRR of the investment program is estimated to be 17.1%, with the EIRR of individual subprojects ranging from 16.2% to 19.2%, which substantiates the economic viability of the investment program. Sensitivity analyses tested the potential effects of negative changes in key operational and financial parameters, and demonstrated the robust economic viability of the investment program.

34. **Financial analysis.** The financial analysis of the investment program was carried out in accordance with ADB guidelines,⁸ and calculated the financial internal rate of return (FIRR) of the net cash flows of the program. The program is expected to generate incremental revenues by collecting passenger and freight fares, and to reduce operating costs for existing traffic. The weighted average cost of capital is estimated at 2.93%. The FIRR of the investment program is estimated to be 15.2%, and ranges from 11.1% to 18.5% for individual subprojects. As the FIRR is significantly above the weighted average cost of capital, the analysis indicates that the investment program is expected to be financially viable and sustainable. Sensitivity analyses further indicated that the program remains financially viable under adverse changes in costs and revenues. In addition, the potential for cost increases is low as the majority of civil works and supply contracts have been awarded. The updated economic and financial analyses are in Appendix 6.

C. Governance

35. **Institutional.** RVNL is primarily a project delivery organization. Administrative control rests with MOR. RVNL has sufficient capacity to implement the program, which is further supported by the general consultant (for overall program scheduling and coordination) and the project-specific project management consultants (for construction supervision).

36. **Financial management.** RVNL has satisfactory financial accounting capacity and knowledge of ADB disbursement procedures; it also has adequate financial management arrangements in place, including sound internal controls and mechanisms for budgeting, financial reporting, and internal and external auditing. This has been confirmed by the unqualified audit opinion on the financial statements of RVNL by the statutory auditor, and by the supplementary audit conducted by the Comptroller and Auditor General. The auditor has certified that internal controls are commensurate with the size of the operations. These financial statements are prepared in accordance with Indian Accounting Standards and are publicly available. RVNL also has proper corporate governance arrangements in place, including a Remuneration Committee and transparency of emoluments to directors. Audited project financial statements for tranches 1 and 2 were in general submitted on time, with an unqualified audit opinion and a management letter confirming no internal control weaknesses. The audited project financial statement for

⁷ As used in 2011 for the program appraisal. ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

⁸ ADB. 2005. *Guidelines on the Financial Management and Analysis of Projects*. Manila.

tranche 1 in FY 2013 was submitted 4 days late, while the audited project financial statement for tranche 2 were submitted 3 months late in FY2015 and two months late in FY 2016.

37. **Procurement and anticorruption.** RVNL has a chief vigilance officer to handle all grievances including those related to procurement. The Central Vigilance Commission, through its Chief Technical Examiners Organization, conducts systematic analyses and monitoring for compliance with procurement procedures and rules. It also issues guidelines and instructions to prevent any irregularities. The independent safety commissioner will undertake the final technical audit before commissioning. Contracts financed by ADB use an ADB-approved procurement process. Bidding documents conform to ADB requirements and include a policy statement on avoiding corrupt practices. The government will publish information relating to the investment program—including business opportunities and information on procurement of goods, works, and consulting services—on the RVNL and MOR websites. RVNL will also make available to ADB on request copies of internal audit reports.

38. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, MOR and RVNL. The specific policy requirements and supplementary measures are described in the updated facility administration manual (Appendix 4).

D. Poverty, Social, and Gender Dimensions

39. The investment program's direct area of influence includes 17 districts with a population of 43 million. Important beneficiaries are passengers and freight customers. Indirect beneficiaries include businesses as well as those working in the trade and service industries. The investment program spans five states,⁹ with the incidence of people living under the poverty line varying from 9% in Andhra Pradesh to 40% in Chhattisgarh. The project will benefit the poor, as the railway remains one of the most affordable and reliable modes of transportation in the country and connects poor rural areas that are not easily accessed by road.

40. **Gender, HIV/AIDS, and trafficking.** The project is categorized as no gender elements (NGE). Although it does not envisage making a specific contribution to gender equity and women's empowerment, women will equally benefit from the project as they are prominent railway users. Moreover, tranche 3 will include the following gender mainstreaming activities: (i) encourage and monitor women's participation in construction activities; and (ii) additional financial assistance provided to female-headed households.

41. The project is double-tracking and electrifying existing railway lines, and therefore is not expected to contribute to an increase in the incidence of HIV/AIDS, sexually transmitted diseases (STI) or human trafficking. The contractors for each subproject have conducted HIV/AIDS and STI awareness activities for their workforces. Over the course of implementation, more than 60 sessions have been organized with the participation of about 2,700 workers.

E. Safeguards

42. Tranche 3 involves solely the completion of subprojects on railway corridors being upgraded under the RSIP. According to ADB's Safeguard Policy Statement (2009), the tranche is therefore categorized similar to the categorization of tranche 1 as "B" for impacts on the environment, "A" for impacts on involuntary resettlement, and "B" for impacts on indigenous peoples. An assessment for impacts of all subprojects in the railway corridors upgraded under

⁹ Andhra Pradesh, Chhattisgarh, Karnataka, Maharashtra and Odisha.

the RSIP has been conducted during processing of tranche 1 of the MFF. As there were no major changes in the design of the subprojects, no updates have been made to the safeguards assessments. Implementation of social and environment safeguards under the MFF have been found to be satisfactory. The Social and Environmental Due Diligence reports are attached and have been disclosed on the ADB website.

F. Risks and Mitigating Measures

43. The key risk is implementation delay. Other risks and mitigating measures are summarized in the updated risk assessment and risk management plan (Appendix 10). The integrated benefits and impacts are expected to outweigh the costs. Because the investment program involves many construction subprojects running in parallel, a general consultant was engaged to oversee coordination between subprojects, while conventional subproject-level project management consultants were also engaged. To avoid further implementation delays, the general consultant will continue to flag risks at an early stage and propose risk mitigation measures. The general consultant will also help to manage the implementation of tranche 3.

G. Risk Categorization

44. Tranche 3 is categorized as complex as the safeguard categorization for involuntary resettlement is A.

V. ASSURANCES

45. The government, MOR and RVNL have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

46. The government, MOR, and RVNL have agreed with ADB on certain covenants for the project, which are set forth in the loan and project agreements.

VI. RECOMMENDATION

47. On the basis of the approval by ADB's Board of Directors for the provision of loans under the multitranchise financing facility in an aggregate principal amount not exceeding \$500,000,000 to India for the Railway Sector Investment Program, it is recommended that the President approve the proposed tranche as described in para. 27 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements for the proposed tranche.

DESIGN AND MONITORING FRAMEWORK – TRANCHE 3

Impact the Program is aligned with			
Transport network improved and greater mobility (India Railway Vision 2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Energy-efficient, safe, reliable, affordable and environmentally friendly railway system developed	By 2022 a. Average travel time along project rail routes reduced by half: average speed for freight trains increased to 40 km/hour (2011 baseline: 20 km/hour) b. annual accident rate reduced by 20% (Baseline: 0.20 in FY2009) c. annual CO2 emission along the project corridors reduced by 0.9 million (due to modal shift from vehicles) (Baseline: estimated 1.1 million ton of CO2 in FY2009)	a-c. Project Completion Report	Institutional-strengthening actions delayed
Outputs 1. Railway infrastructure established	By 2021 1a. Double-tracking of 840 km of railway tracks commissioned (2009 baseline: 0) 1b. Electrification of 640 km of railway lines commissioned (2009 baseline: 0)	1a-1b. Project progress report	Project implementation delays due to poor performance of contractors
Key Activities with Milestones 1. Railway infrastructure established (30 June 2021)			
Program Management Activities Implementing agency staff supported by general consultant and project management consultants (ongoing contracts)			
Inputs ADB: \$120 million (loan) Government: \$210 million equivalent			
Assumptions for Partner Financing Not Applicable			

^a Ministry of Railways, Government of India. 2009. *Indian Railways Vision 2020*. New Delhi.

ADB = Asian Development Bank; CO2 = carbon dioxide; FY = Fiscal Year of the Government of India; km = kilometer.
 Source: Asian Development Bank.