



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
VISHNUGAD PIPALKOTI HYDRO ELECTRIC PROJECT  
APPROVED ON JUNE 30, 2011  
TO  
THDC

ENERGY & EXTRACTIVES

SOUTH ASIA

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## **ABBREVIATIONS AND ACRONYMS**

BHEL – Bharat Heavy Electricals Limited

CA – Compensatory Afforestation

CATP – Catchment Area Treatment Plan

DEA – Department of Economic Affairs

DBM – Drill and Blast Method

DRBP – Dispute Resolution Board Panel

EC – Environmental Clearance

E&M – Electromechanical

HCC – Hindustan Construction Company

HRT – Head Race Tunnel

M&E – Monitoring and Evaluation

MSW – Master of Social Work

PRP – Project Review Panel

SAT – Strategic Advisory Team

TBM – Tunnel Boring Machine

THDC – Tehri Hydro Development Corporation

VPHEP – Vishnugad Pipalkoti Hydro Electric Project



**Note to Task Teams:** The following sections are system generated and can only be edited online in the Portal.

**BASIC DATA**

**Product Information**

Project ID P096124	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 30-Jun-2011	Current Closing Date 30-Jun-2021

**Organizations**

Borrower THDC	Responsible Agency THDC (Tehri Hydro Development Corporation)
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**Project Development Objective (PDO)**

Original PDO

The Project Development Objectives are: (a) to increase the supply of electricity to India's national grid through the addition of renewable, low-carbon energy; and (b) strengthen the institutional capacity of THDC with respect to the preparation and implementation of economically, environmentally and socially sustainable hydropower projects.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-80780	30-Jun-2011	10-Aug-2011	07-Nov-2011	30-Jun-2021	548.00	151.21	396.79
TF-58016	24-Apr-2007	24-Apr-2007	24-Apr-2007	31-Mar-2010	.99	.99	0



### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

**Note to Task Teams:** End of system generated content, document is editable from here.

## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. *Project Status*

1. Despite significant delays since the onset of the project, implementation progress has progressively improved over the past year and is currently rated Moderately Satisfactory.
  - (a) Technical status:
    - (i) Completed activities: upstream coffer dam, heading of all three desilting chambers, crown excavation of the machine hall.
    - (ii) Ongoing activities: preparatory work for dam construction, upstream tunneling activities, dam excavation (30%), benching for desilting chambers (27%), heading excavation by drill and blast in the headrace tunnel (70%), crown excavation of the transformer hall (59%), strengthening of geologically weak sections of machine and transformer halls with steel rib support.
    - (iii) Critical activity: The tunnel boring machine (TBM) has been commissioned and pushed inside the launching adit (excavated horizontal entrance to the tunnel) to start construction of the 12 km-long headrace tunnel.
  - (b) Financial status:
    - (i) THDC is has evolved an mitigation arrangement to address the civil contractor's liquidity issues and now provides HCC with cash advances and pays subcontractors directly.
    - (ii) Improved progress has resulted in an increase in disbursements and the cumulative disbursements till date is USD\$ 151.84 million, 28% of the loan amount.
  - (c) Social safeguards status: The six families still living in Hatsari continue to refuse THDC's offers to help them relocate, despite THDC providing them options to meet their demands. THDC continues to make efforts to engage with the community and persuade them to relocate either permanently or for the duration of project construction.



- (d) Environmental safeguards status: To date, the project has performed satisfactorily on environmental management. The environmental clearance granted to the project requires an extension beyond August 21, 2021; the process has been initiated and is on track. While muck management practices for the project remain satisfactory, particular attention is given to the muck disposal site at TBM platform, which needs to be reassessed and the development plan should be finalized by September 30, 2021, when TBM activities are expected to ramp up.

**B. Rationale for Restructuring**

- C. This proposed restructuring follows a formal request from the Department of Economic Affairs at the Ministry of Finance through a letter dated April 7, 2021, to cancel US\$ 100 million from the IBRD loan on account of exchange rate variations, and a letter dated June 23, 2021, for extension of the closing date to June 30, 2022. DEA provided in principle extension of the project until June, 2023, to be confirmed after a special review in June, 2022. US\$ 100 million had already been canceled from the initial IBRD loan in June 2019. Cumulative loan cancellations would therefore total US\$ 200 million, resulting in a remaining IBRD loan amount of US\$ 448 million, and are not expected to affect the successful completion of the project.
- D. The original closing date for this project was December 31, 2017. Despite significant delays (five years in total) due to issues beyond the Borrower's control, and further lost time due to Covid-19, the project has seen some improvement in implementation progress over the past 18 months. The project closing date had already been extended to June 30, 2021 to pursue project activities and has now been readjusted to the new closing date of June 30, 2022.
- E. Despite the delays outlined above, implementation progress and disbursements have progressively improved over the past year, until the second Covid-19 wave hit India in April 2021, at which stage several months of progress were lost when implementation was halted, along with significant economic activity across the country. Nevertheless, the PDO still remains relevant and achievable. To achieve the PDO and enable accomplishment of the greater balance of planned works, the current forecasted project completion date is now June 30, 2022. DEA provided in principle extension of the project until June, 2023, to be confirmed after a special review on project progress and milestones in June, 2022. In case of closure as of June 30, 2021, the project implementation would result in a financing gap and consequent cash flow issues resulting in further implementation delays and increased project cost, jeopardizing the achievement of the PDO. In addition, the project is a significant source of local economic activity, which would be impacted as well.

F.

**G. Action Plan, Risks and Risk Mitigation Plan**

2. Going forward, ongoing Bank support will be contingent upon implementation of a series of agreed milestones against which project performance will be monitored. More specifically, the Bank will monitor progress towards the achievement of several critical milestones: operation of TBM, Environmental Clearance extension, and implementation of livelihood development Pilots:



- (a) Commencement and completion of local economic development pilot programs to support local communities' livelihoods, and hiring of an M&E agency
  - (b) Completion of Environmental Clearance (EC) extension
  - (c) Muck Management Plan
  - (d) Physical Progress various fronts, provided that the actual geology is aligned with the assessments of the Geological Baseline Report and that the project does not encounter further geological difficulties beyond THDC's control.
  - (e) Adequate staffing of environmental, social, and communication teams at site
  - (f) Constitution of a Dispute Resolution Board Panel (DRBP) for civil and E&M contracts
  - (g) Initiation of regular meetings and site visits of the Project Review Panel (PRP; technical, environmental, and social) and Strategic Advisory Team (SAT)
  - (h) Regulatory clearances/permissions and safeguards management:
  - (i) Ring-fencing of payments to contractors
  - (j) Implementation of Compensatory Afforestation (CA) and Catchment Area Treatment Plan (CATP) through forest department
3. Although project implementation progress has improved over recent months, the project remains at risk of timely completion for several reasons:
- (a) Physical progress of the TBM has been hampered by poor geological conditions, and the pandemic has delayed even further the works required to address this issue. THDC is addressing these risks in consultation with the Project Review Panel and Strategic Advisory Team.
  - (b) Supervision without field visits remain a challenge, especially on monitoring environmental and social safeguards compliance of project activities, though THDC is starting to take action to increase the site-based workforce and return to the required levels.
  - (c) Local communities' demand to have a separate package has not yet been resolved and six families from Hatsari have still refused the sign the compensation and relocation agreement offered by THDC.
  - (d) HCC's cash flow situation needs to be closely monitored, even though mitigation measures have been put in place.
4. To mitigate the risks identified above, THDC has established a Project Review Panel (PRP) and a Strategic Advisory Team (SAT), and hired an expert in Local Economic Development in January 2020 to address outstanding concerns within local communities. Additionally, further risk mitigation actions have been agreed to address outstanding issues:
- (a) To ensure efficient monitoring of project implementation, the PRP and SAT will conduct regular site visits. The PRP will meet at least twice a year until project completion, while the SAT will monitor project implementation on an ongoing basis and provide monthly progress reports until completion.



- (b) Since THDC has now implemented fund-flow arrangements which are supposed to ring-fence all payments to civil contractor and ensure that proceeds directly benefit the Project, audit reports for the escrow account will be provided on a quarterly basis.
- (c) A project review will be conducted within six months after approval of the restructuring request.

## II. DESCRIPTION OF PROPOSED CHANGES

5. The following changes are proposed:

- (a) Following cancellation of US\$ 100 million from the already restructured IBRD loan of US\$ 548 million, the revised financing allocation will amount to US\$ 448 million.
- (b) The project closing date will be extended from June 30, 2021 to June 30, 2022, to make up for time lost from delays, and allow enough time for completion of several project activities.
- (c) Disbursement estimates will be revised to reflect actual and projected disbursements (FY2021-2022) based on the updated implementation schedule.
- (d) In the Results Framework, only the end target dates have been changed to reflect the extension of end date of the project. The rest of the content remains the same.

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**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**





**COMPONENTS**

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Capacity-building and Institutional Strengthening	10.00	No Change	Capacity-building and Institutional Strengthening	10.00
Vishnugad Pipalkoti Hydro Electric Project	638.00	No Change	Vishnugad Pipalkoti Hydro Electric Project	438.00
<b>TOTAL</b>	<b>648.00</b>			<b>448.00</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-80780	Effective	31-Dec-2017	30-Jun-2019, 31-Dec-2019, 31-Jan-2020, 31-Dec-2020, 30-Jun-2021	30-Jun-2022	30-Oct-2022
TF-58016	Closed	17-Mar-2009	30-Sep-2009, 31-Mar-2010, 28-Oct-2010		

**CANCELLATIONS**

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IBRD-80780-001	Disbursing&Repaying	USD	548,000,000.00	100,000,000.00	07-Apr-2021	448,000,000.00	LOAN RESTRUCTURING, COST SAVINGS
TF-58016-001	Fully Disbursed	USD	988,526.51	0.00		988,526.51	

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)



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			Current	Proposed
IBRD-80780-001   Currency: USD				
iLap Category Sequence No: 1	Current Expenditure Category: CW & Hyd-mech equipmnts undr comp 1			
335,220,000.00	111,185,385.18	280,037,142.90	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: Electro mech equipmnt under comp 1			
125,740,000.00	19,454,491.95	99,560,393.75	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: Consultants Services			
13,100,000.00	2,541,267.79	10,499,236.68	100.00	100.00
iLap Category Sequence No: 4	Current Expenditure Category: Interest during construction			
72,320,000.00	7,850,415.70	56,283,226.67		
iLap Category Sequence No: 6	Current Expenditure Category: Premia for Int rate cap or collar			
0.00	0.00	0.00		
<b>Total</b>	<b>546,380,000.00</b>	<b>141,031,560.62</b>	<b>446,380,000.00</b>	



Results framework

COUNTRY: India

Vishnugad Pipalkoti Hydro Electric Project

Project Development Objectives(s)

The Project Development Objectives are: (a) to increase the supply of electricity to India's national grid through the addition of renewable, low-carbon energy; and (b) strengthen the institutional capacity of THDC with respect to the preparation and implementation of economically, environmentally and socially sustainable hydropower projects.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
<b>Generation capacity of renewable energy constructed under the project (MW) on the Alaknanda river</b>			
Generation capacity of energy constructed or rehabilitated (CRI, Megawatt)		0.00	444.00
<i>Action: This indicator has been Revised</i>			
Hydropower generation capacity constructed under the project (CRI, Megawatt)		0.00	444.00
<i>Action: This indicator has been Revised</i>			
Generation Capacity of Hydropower constructed or rehabilitated under the project (Megawatt)		0.00	444.00
<i>Action: This indicator has been Revised</i>			
Generation Capacity of Hydropower constructed under the project (Megawatt)		0.00	444.00
<i>Action: This indicator has been Revised</i>			



**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
<b>Capacity-building and Institutional Strengthening</b>			
Development of Capacity Building and Institutional Strengthening (CBIS) plan (Yes/No)		No	Yes
Initial skills gap analysis (resulting in preparation of CBIS Plan) (Text)		RFP for skills gap analysis launched by project effectiveness.	Contract completed and CBIS Plan under implementation.
Review of THDC institutional arrangements and current capacity building plans in consultation with THDC management and staff. (Text)		None	Completed
Development of framework institutional capacity plan (Text)		None	Completed.
Development of detailed institutional capacity plan (Text)		None	Completed
Implementation of Capacity Building and Institutional Strengthening Plan (Text)		None	Completed as planned.
Social and Environmental Capacity Training (Yes/No)		No	Yes
<b>Action: This indicator has been Revised</b>			
Recruitment/deployment of new environmental staff for corporate and project (Text)		2+1	100.00
<b>Action: This indicator has been Revised</b>			
Social staff in Corporate Social and Environment Cell (number of staff) (Number)		2.00	4.00
<b>Vishnugad Pipalkoti Hydro Electric Project</b>			
RAP and community development plan implementation (Percentage)		0.00	100.00
<b>Action: This indicator has been Revised</b>			



Indicator Name	PBC	Baseline	End Target
All entitlements for property losses and restrictions on access fully delivered (Percentage)		0.00	100.00
Completion of scheduled resettlement including Haat village as agreed with the PAPs (Percentage)		0.00	100.00
Amount spent on small infrastructure under CSR and Peripheral Development in project affected villages (Text)		Rs. 5 million	Rs. 90 million
Headrace tunnel completion (Percentage)		0.00	100.00
<b>Action: This indicator has been Revised</b>			
Power house civil excavation (Percentage)		0.00	100.00
<b>Action: This indicator has been Revised</b>			
Desilting chamber (Percentage)		0.00	100.00
<b>Action: This indicator has been Revised</b>			
Power House Electro-mechanical (equipment installation) (Text)		No equipment delivered.	Equipment for all four units ready
<b>Action: This indicator has been Revised</b>			
Financial disbursement (% of projected cost to completion) (Percentage)		0.00	95.00
<b>Action: This indicator has been Revised</b>			
Cost overruns within physical contingency allowance (Text)		No overrun	Achieved
<b>Action: This indicator has been Revised</b>			
Environmental Management Plan (EMP) implementation (Text)		0.00	Completed.
<b>Action: This indicator has been Revised</b>			
Number of environmental staff posted at site (Number)		1.00	3.00



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Indicator Name	PBC	Baseline	End Target
Funds utilization on CAT plan activities (excluding maintenance) (Percentage)		0.00	90.00

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