



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ANDHRA PRADESH 24X7 POWER FOR ALL
APPROVED ON MAY 26, 2017
TO
INDIA

ENERGY & EXTRACTIVES

SOUTH ASIA

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ABBREVIATIONS AND ACRONYMS

AIIB	Asian Infrastructure Investment Bank
APCPDCL	Andhra Pradesh Central power Distribution Company Limited
APEPDCL	Andhra Pradesh Eastern power Distribution Company Limited
APSPDCL	Andhra Pradesh Southern power Distribution Company Limited
APTRANSCO	Transmission Corporation of Andhra Pradesh
CPTD	Compensatory Plan for Temporary Damages
DEA	Department of Economic Affairs
GoI	Government of India
GoAP	Government of Andhra Pradesh
IBRD	International Bank for Reconstruction and Development
IUFR	Interim Unaudited Financial Report
kV	Kilovolt
kWh	kilowatt-hour
M&E	Monitoring & Evaluation
MU	Million Units
MVA	Megavolt-Ampere
MW	Mega Watts
PDO	Project Development Objective
PIU	Project Implementation Unit
RAP	Resettlement Action Plan
TPDP	Tribal People Development Plan
TPDPF	Tribal People Development Planning Framework



BASIC DATA

Product Information

Project ID P155038	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 26-May-2017	Current Closing Date 30-Jun-2022

Organizations

Borrower INDIA	Responsible Agency Government of Andhra Pradesh,Andhra Pradesh Central Power Distribution Corporation Ltd,Andhra Pradesh Eastern Power Distribution Company Ltd,The Transmission Corporation of Andhra Pradesh,Andhra Pradesh Southern Power Distribution Company Ltd.,Andhra Pradesh Central Power Distribution Company Ltd.
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Project Development Objective (PDO)

Original PDO

The development objective of the project is to increase the delivery of electricity to customers and to improve the operational efficiency and system reliability in distribution of electricity in selected areas in Andhra Pradesh.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
COFN-C1420	26-May-2017	22-Sep-2017	01-Dec-2017	30-Jun-2022	150.64	74.43	76.21
IBRD-87550	26-May-2017	22-Jun-2017	01-Dec-2017	30-Jun-2022	240.00	113.34	126.66



Policy Waiver(s)

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

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The World Bank Board of Directors approved the Andhra Pradesh 24X7 Power for All on May 26, 2017, and the project became effective in December 2017. The project aims to increase the supply of reliable electricity to the consumers in Andhra Pradesh particularly in the rural areas. The project is co-financed in the ratio of 60:40 between the World Bank (US\$240 million) and the Asian Infrastructure Investment Bank (US\$160 million) respectively. As on January 03, 2021, the ratings of the project towards achievement of PDO and implementation progress are both Moderately Satisfactory. Of the total revised project cost of US\$ 533.29 million as per table 1 below, 70.7% of the project cost has been committed, and additionally, contracts for 24.6% of the project cost are in advanced stages of procurement. The disbursements are at 41.94% (US\$ 100.67 million on the original net commitment of US\$ 240 million from IBRD financing). The project is scheduled to close on June 30, 2022.
2. To achieve the development objectives, the project is making critical investments in improving the electricity distribution and transmission infrastructure, adoption of modern information and operational technologies and institutional development of the existing implementing agencies i.e. Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) and Transmission Corporation of Andhra Pradesh (APTRANSCO).
3. As per Government's order MS No 41, dated December 12, 2019, the Government of Andhra Pradesh has divided the Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) into two distribution companies (i) APSPDCL with its headquarters at Tirupati and (ii) newly formed AP Central power Distribution Company Limited (APCPDCL) with its headquarters at Vijaywada. The newly formed company APCPDCL is also fully owned by the State Government. With effect from April 01, 2020, APCPDCL was also granted distribution license by Andhra Pradesh Electricity Regulatory Commission to distribute electricity in 4 circles namely, Vijaywada circle in Krishna District, Guntur circle and CRDA circle in Guntur District and Ongole circle in Prakasam District which were erstwhile supplied electricity by APSPDCL.
4. The Bank has received a letter dated October 1, 2020 from the borrower i.e. Department of Economic Affairs (DEA), Government of India forwarding and supporting GOAP's request to restructure the project and include APCPDCL as an implementation agency.
5. Further, the Bank has also received a letter dated March 8, 2021 from DEA forwarding the request of Andhra Pradesh Government to cancel US\$ 23.4 million from the IBRD financing on account of exchange rate savings in the project. Furthermore, upon soliciting clarification, DEA revised the cancellation request to the World Bank through their email dated April 1, 2021 to US\$ 14.04 million from the IBRD financing as the project is co-financed with AIIB and the exchange rate savings in the total loan amount is to be cancelled by respective lenders in proportion to their



loan amounts. Accordingly, DEA has also sent a request to AIIB to cancel US\$ 9.36 million from their loan share. AIIB has cancelled US\$ 9.36 million from their loan share on April 12, 2021.

6. This restructuring proposes to (i) cancel US\$ 14.04 million of IBRD financing due to savings arising from INR depreciation against USD and, (ii) add AP Central power Distribution Company Limited (APCPDCL) as an implementation agency. Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) and Transmission Corporation of Andhra Pradesh (APTRANSCO) are showing as new implementing agencies (IA) in this paper but have been in place as IAs since the project was approved.

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II. DESCRIPTION OF PROPOSED CHANGES

7. The Government of Andhra Pradesh has divided the Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) into two distribution companies (i) APSPDCL with its headquarters at Tirupati and (ii) newly formed AP Central power Distribution Company Limited (APCPDCL) with its headquarters at Vijaywada. The newly formed company APCPDCL is also fully owned by the State Government. With effect from April 01, 2020, APCPDCL was also granted distribution license by Andhra Pradesh Electricity Regulatory Commission to distribute electricity in 4 circles namely, Vijaywada circle in Krishna District, Guntur circle and CRDA circle in Guntur District and Ongole circle in Prakasam District which were erstwhile supplied electricity by APSPDCL. Government of Andhra Pradesh has requested to add APCPDCL as an implementation agency in the AP 24x7 Power for All project. As an implementing entity, APCPDCL would be responsible for implementing the various components under the project in its jurisdiction.
8. APSPDCL (from which the new distribution company APCPDCL has been carved out) was assessed during the preparation of the project and has been performing well as per World Bank's requirement. APCPDCL, thus is well-versed with the project and the Bank team has been interacting with the counterparts in APCPDCL. APCPDCL will follow the World Bank Procurement Regulations as well as Safeguards policy requirements through the implementation of the Environmental and Social Management framework (ESMF) that was agreed under the Project. To further enhance APCPDCL's capacity, the Bank will provide them with required training and handholding support on Procurement. Training will also be provided on Environmental and Social aspects to the personnel responsible for handling Environment and Social issues in APCPDCL.
9. A rapid Financial Management assessment of the new implementing entity APCPDCL has been carried out. APCPDCL is governed by Board of Directors, that is headed by Chairman, cum Managing Director, and supported by functional Directors - Director (Technical) and Director (Finance), with all posts nominated by GoAP. A part of the existing staff of APSPDCL has been transferred to APCPDCL. A PIU has been formed within APCPDCL to implement the Project activities and it will follow the extant FM arrangements that was already agreed under the Project, which is currently being followed by other three implementing agencies (APSPDCL, APEPDCL and APTRANSCO). APCPDCL will open a separate project bank account into which funds will be drawn based on budget provisions approved by GoAP. All project payments will be centralized at Head Office of APCPDCL and accounted for in the existing ERP application (SAP). Interim Unaudited Financial Report (IUFR) will form the basis of disbursement by WB and AIIB to GoAP. The internal audit and year-end financial audit of APCPDCL will be carried by private firm of chartered accountants that are acceptable to WB. The financial audit report of APCPDCL will be submitted to WB and AIIB within 9 months (i.e December 31) from end of each FY (April to March). The financial audit of FY2019-20 (April 01, 2019 to March 31, 2020) for the three existing project implementing agencies (APSPDCL, APTRANSCO and APEPDCL) is ongoing and audit report is expected to be submitted to the WB and AIIB as per extended timelines.



10. Further, there has been a depreciation of INR with respect to USD from USD/INR of 66.8 at the time of appraisal to 72.91, which has resulted savings in total loan amount. It was agreed in the recent Tripartite Review Meeting in Jan 2021 that savings in loan amount on account of INR depreciation will be cancelled. Accordingly, the Government of Andhra Pradesh, through Government of India have requested for a cancellation of US\$ 23.4 million from the IBRD financing and AIIB in the project vide letter dated January 1, 2021. In proportion to the loan amounts, DEA has requested World Bank to cancel US\$ 14.04 million and AIIB to cancel US\$ 9.36 million respectively from their loan amounts. AIIB has cancelled US\$ 9.36 million from their loan share on April 12, 2021.

11. The original and revised allocation of costs are summarized below:

Table 1: Project Cost and Financing Summary (All figures in US\$ million)

Project Components	Original [before restructuring]				Revised [after restructuring]			
	Project Cost	IBRD Financing	AIIB Financing	Counter-part Financing	Project Cost	IBRD Financing	AIIB Financing ²	Counter-part Financing ³
Component 1: Power Transmission System Strengthening	100.0	42.0	28.0	30.0	93.38	39.54	26.36	27.49
Component 2: Smart Grid Development in Urban Areas	210.0	88.2	58.8	63.0	196.11	83.03	55.35	57.73
Component 3: Distribution System Strengthening in Rural Areas	250.0	105.0	70.0	75.0	233.46	98.84	65.89	68.72
Component 4: Technical assistance for Institutional Development and Capacity Building	10.0	4.2	2.8	3.0	9.34	3.95	2.64	2.75
Total Project Costs	570.0	239.4	159.6	171.0	532.29	225.36	150.24	156.69
Front-end Fees	1.0	0.6	0.4	0.0	1.0	0.6	0.4	0.0

¹ As considered by GoAP in their request for cancellation

² Assuming AIIB cancels US\$ 9.36 million in-line with the request from GoAP and DEA

³ Please note that the counterpart funding remains the same in INR terms, and is shown less in the revised table only due to revision in the exchange rate for calculation purposes (1US\$=INR 72.9, as on Feb 9, 2021)



Total Financing	571.0	240.0	160.0	171.0	533.29	225.96	150.64	156.69
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III. SUMMARY OF CHANGES

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



Environmental Analysis		✓
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IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
Government of Andhra Pradesh	Implementing Agency	No Change
Andhra Pradesh Eastern Power Distribution Company Ltd	Implementing Agency	New
The Transmission Corporation of Andhra Pradesh	Implementing Agency	New
Andhra Pradesh Southern Power Distribution Company Ltd.	Implementing Agency	New
Andhra Pradesh Central Power Distribution Company Ltd.	Implementing Agency	New

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Power Transmission System Strengthening	42.00	Revised	Component 1: Power Transmission System Strengthening	39.54
Component 2: Smart Grid Development in Urban Areas	88.20	Revised	Component 2: Smart Grid Development in Urban Areas	83.03
Component 3: Distribution System Strengthening @ Rural	105.00	Revised	Component 3: Distribution System Strengthening @ Rural	98.84
Component 4: Technical Assistance for Institutional Development and Capacity Building	4.20	Revised	Component 4: Technical Assistance for Institutional Development and Capacity Building	3.95
Front end fees	0.60	No Change	Front end fees	0.60
TOTAL	240.00			225.96



CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
COFN-C1420-001	Disbursing	USD	150,640,000.00	0.00	12-Apr-2021	150,640,000.00	LOAN RESTRUCTURING, COST SAVINGS
IBRD-87550-001	Disbursing	USD	240,000,000.00	14,040,000.00	08-Mar-2021	225,960,000.00	LOAN RESTRUCTURING, COST SAVINGS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
COFN-C1420-001 Currency: USD					
iLap Category Sequence No: 1				Current Expenditure Category: Gds,Wks,NCS,CS Trng	
	150,640,000.00	64,434,803.45	150,640,000.00	28.00	28
Total	150,640,000.00	64,434,803.45	150,640,000.00		

IBRD-87550-001 Currency: USD					
iLap Category Sequence No: 1				Current Expenditure Category: Gds,Wks,NCS,CS Trng	
	239,400,000.00	96,649,178.76	225,360,000.00	42.00	42.00
Total	239,400,000.00	96,649,178.76	225,360,000.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes



Year	Current	Proposed
2017	0.00	0.00
2018	0.00	17,411,978.00
2019	0.00	21,321,371.00
2020	54,000,000.00	39,048,519.00
2021	60,000,000.00	40,000,000.00
2022	80,000,000.00	80,000,000.00
2023	7,700,000.00	28,178,132.00

LEGAL COVENANTS

Loan/Credit/TF	Description	Status	Action
IBRD-87550	Finance Agreement: Subsidiary Agreement Description :GoAP to make the proceeds of the Loan available to APEPDCL, APSPDCL and APTRANSCO (collectively the Implementing Agencies) pursuant to individual subsidiary agreements to be entered under terms and conditions acceptable to the Bank. Frequency :CONTINUOUS	After delay complied with	Revised
Proposed	Finance Agreement: Subsidiary Agreement Description :GoAP to make the proceeds of the Loan available to APEPDCL, APSPDCL, APCPDCL and APTRANSCO (collectively the Implementing Agencies) pursuant to individual subsidiary agreements to be entered under terms and conditions acceptable to the Bank	Expected soon	
IBRD-87550	Finance Agreement :Project Implementation Units Description :GoAP to ensure that the Implementing Agencies maintain their respective project implementation unit for carrying the day-to-day implementation of the activities under their respective parts of the Project (including compliance with the safeguard documents) Frequency :CONTINUOUS	Complied with	No Change



IBRD-87550	Finance Agreement :Internal Audits Description :GoAP to cause the Implementing Agencies to select and engage, and thereafter maintain the services of one or more consulting firm(s) under the terms agreed with the Bank, in order to carry out the Implementing Agencies' internal audits on financial management performance, procurement process and decisions and contract administration. Frequency :CONTINUOUS	Complied with	No Change
IBRD-87550	Finance Agreement :Project Management Consultant Description :GoAP to ensure that, if and when required by the Bank, APEPDCL and APSPDCL hire a project management consulting firm with qualifications and under terms of reference agreed with the Bank, to assist their respective PIUs with the planning, implementation and execution of activities under their respective parts of the Project. Frequency :CONTINUOUS	Complied with	No Change
IBRD-87550	Finance Agreement :Operations Manuals Description :GoAP to ensure that the Implementing Agencies carry out their respective parts of the Project in accordance with their respective operations manuals. Frequency :CONTINUOUS	Complied with	No Change
IBRD-87550	Finance Agreement :Safeguard Documents Description :GoAP to cause the Implementing Entities to carry out their respective parts of the Project pursuant to, and in compliance with, the ESMF (including the CPTD) as well as the respective EMP(s), RAP(s) and TPDP(s) prepared or to be prepared pursuant to the ESMF (the ESMF, ESMP(s), RAP(s) and TPDP(s) collectively referred to as the (Safeguard Documents) Frequency :CONTINUOUS	Complied with	No Change
IBRD-87550	Finance Agreement :Screening of Project Activities Description :The Implementing Agencies to refrain from commencing any civil works for each transmission line, substation or distribution network to be erected/built or augmented under Components 1, 2 and 3 of the Project, or undertaking any activities ancillary thereto, until and unless: (i) the proposed activities/civil works	Complied with	No Change



	<p>have been screened in accordance with the ESMF; (ii) the respective EMPs, RAPs and/or TPDP(s), as required by the ESMF, have been prepared and submitted to the Bank for review and no-objection; and (iii) these safeguard documents have been disclosed by concerned Implementing Agency in local language(s) at the relevant Projectâ€™s sites at least thirty (30) days prior to the award of the contract for such activities/civil works. Frequency :CONTINUOUS</p>		
IBRD-87550	<p>Finance Agreement :Permits and Clearances Description :GoAP and the Implementing Agencies to ensure, prior to commencing any civil works for each transmission line, substation or distribution network to be erected/built or augmented under Components 1, 2 and 3 of the Project, that: (i) all necessary permits and clearances have been obtained; (ii) all pre-conditions imposed in those permits/clearances shall have been complied with; and (iii) all resettlement measures set forth in the applicable RAPs shall have been executed (including full payment of compensation prior to displacement or the provision of relocation assistance to affected persons). Frequency :CONTINUOUS</p>	Complied with	No Change
IBRD-87550	<p>Finance Agreement :Civil Works Contracts Description :GoAP to ensure and cause the Implementing Agencies to ensure that each contract for civil works includes the obligation of the relevant contractor to comply with the Safeguard Documents Frequency :CONTINUOUS</p>	Complied with	No Change
-	<p>Finance Agreement :M&E Safeguard Protocols Description :GoAP to cause the Implementing Agencies to maintain monitoring and evaluation protocols and record keeping procedures adequate to GoI, GoAP and the Bank to supervise and assess the implementation of/compliance with the Safeguard Documents. Frequency :CONTINUOUS</p>	Complied with	No Change
IBRD-87550	<p>Finance Agreement: Grievance Redress Mechanism Description :GoAP and the Implementing Agencies to maintain and operate a multi-layered grievance redress mechanism acceptable to the Bank for the handling of</p>	Complied with	No Change



any stakeholder complaints arising out of the implementation of their respective activities under the Project. | Frequency :CONTINUOUS

IBRD-87550

Finance Agreement :Ineligible Expenditures |
Description :GoAP and the Implementing Agencies to ensure that: (i) all land acquisition required for the Project, (ii) any compensation, resettlement, and rehabilitation payment to Affected Persons as per the RAPs and/or CPTD; (iii) any compensatory afforestation payments (including as required by the ESMF); (iv) any interest during construction; (v) any retention money deducted from contract payments and not released by the Closing Date; and (vi) any expenditures objected or considered ineligible by the independent auditors in the Financial Statements, are financed exclusively out of GoAP and/or the Implementing Agencies' own resources. | Frequency :CONTINUOUS

Complied with

No Change