

Public Disclosure Authorized

CONFORMED COPY

GPOBA GRANT NUMBER TF058247

Global Partnership on Output-based Aid Grant Agreement

(Mumbai Improved Electricity Access to Indian Slum Dwellers Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

(acting as Administrator of the Global Partnership on Output-based Aid)

and

RELIANCE INFRASTRUCTURE LIMITED

(acting as facilitator for disbursement of the Grant to consumers)

Dated April 27, 2009

GPOBA GRANT NUMBER TF058247

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT**

AGREEMENT dated April 27, 2009, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of the Global Partnership on Output-based Aid (“GPOBA”), and RELIANCE INFRASTRUCTURE LIMITED (“Recipient”).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to one million six hundred fifty thousand Dollars (\$1,650,000) (“Grant”), to be financed by the DFID Trust Fund TF058247, to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02(i) of the Standard Conditions consist of the following:

- (a) The IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.
- (b) The Operational Manual, the Memorandum of Understanding or the Performance Agreement has been amended, waived or abrogated so as to affect materially and adversely the implementation or the achievement of the objectives of the Project without prior agreement of the World Bank.
- (c) The Recipient has failed to perform in accordance with provisions of the Operational Manual, the Memorandum of Understanding or the Performance Agreement so as to affect materially and adversely the implementation or the achievement of the objectives of the Project.
- (d) The Companies Act, the Electricity Act 2003, the Electricity (Amendment) Act 2003, the Electricity (Amendment) Act 2007, the Energy Conservation Act 2001, the Electricity Regulatory Commissions Act 1998 or any Regulation or Order of the MERC has been amended, suspended, abrogated, repealed or waived so as to: (i) affect materially and adversely the ability of the Recipient and ICPCI to perform any of their obligations under the Memorandum of Understanding; or (ii) affect materially and adversely the ability of the Recipient, LECs and the eligible customers to perform any of their obligations under the Performance Agreement; or (iii) affect materially and adversely the implementation or the achievement of the objectives of the Project without prior agreement of the World Bank.

**Article V
Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the conditions specified below have been satisfied.
- (a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary corporate action.

- (b) The Memorandum of Understanding referred to in paragraph C.1(a) of Section I of Schedule 2 to this Agreement has been executed on behalf of the Recipient and ICPCI.

- 5.02. As part of the evidence to be furnished by the Recipient to the World Bank under Section 5.01 of this Agreement, there shall be furnished an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing:
 - (a) on behalf of the Recipient, that this Agreement and the Memorandum of Understanding referred to in Section 5.01(b) have been duly authorized or ratified, and executed and delivered on its behalf and is legally binding upon it, in accordance with its terms;
 - (b) on behalf of ICPCI, that the Memorandum of Understanding referred to in Section 5.01(b) has been duly authorized or ratified, and executed and delivered on each party's behalf and is legally binding upon the respective parties in accordance with their terms; and
 - (c) on behalf of the Recipient, that all permits and licenses necessary to be issued by MERC for the Recipient to carry out the Project have been duly issued.

- 5.03. This Agreement and all obligations of the parties under this Agreement shall terminate if this Agreement shall not have entered into effect by ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section.

Article VI
Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Chief Executive Officer.

- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

RELIANCE INFRASTRUCTURE LIMITED
Reliance Energy Centre
Santa Cruz (E)
Mumbai 400 055

Telephone:	Facsimile:
+91 22 3009 9999	+91 22 3009 9763

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at District of Columbia, United States of America, and Mumbai, India, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
(acting as Administrator of the Global Partnership on Output-based Aid)

By /s/ Roberto Zagha

Authorized Representative

RELIANCE INFRASTRUCTURE LIMITED

By /s/ Lalit Jalan

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve access to safe and adequate electricity supply in the selected slums of Mumbai.

The Project consists of the following parts:

Part A: Installing and Upgrading Electricity Supply Services

1. Carrying out safe and reliable electricity connections to the Eligible Customers who have no connections, including adopting new approaches for improving the quality of service delivery pertaining to electricity supply.
2. Improving and upgrading access to safe and reliable electricity supply to the Eligible Customers with electricity connections after the point of supply.

Part B: Technical Verification, Evaluation and Monitoring of the Project

Carrying out technical verifications, evaluations and monitoring of activities and outputs under Part A of this Schedule.

SCHEDULE 2**Project Execution****Section I. Institutional and Other Arrangements****A. Operational Manual and Environmental and Social Framework**

The Recipient shall, in a manner satisfactory to the World Bank and throughout the period of Project Implementation, ensure that: (a) the Project is carried out in accordance with the Operational Manual and the Environmental and Social Framework; and (b) the Operational Manual, or the Environmental and Social Framework, or any portion thereof, is not amended, waived, abrogated or revised without the prior approval of the World Bank.

B. Institutional Arrangements

1. The Recipient shall, throughout the period of Project implementation, maintain an administrative unit responsible for, *inter alia*, financial management, reporting and accounting in form and with staffing and resources satisfactory to the World Bank.
2. The Recipient shall engage within three (3) months of the Effectiveness Date, and thereafter maintain throughout the period of Project implementation, an Independent Verification Contractor under the terms of reference approved by the World Bank, who shall be responsible for, *inter alia*, technical verification, evaluation and monitoring of the activities and the outputs under Part A of the Project.

C. Memorandum of Understanding and Performance Agreement

1. For the purposes of carrying out the Project, the Recipient shall in accordance with the provisions of the Operational Manual and in a manner satisfactory to the World Bank:
 - (a) execute a Memorandum of Understanding with the ICPCI in form and substance satisfactory to the World Bank; and
 - (b)
 - (i) select slum areas in Mumbai which meet the eligibility criteria set forth in the Operational Manual, including any other criteria set forth in this Agreement; and
 - (ii) prior to carrying out electricity connections or improvements to and upgrading of such connections, execute a Performance Agreement with an eligible customer and the LEC selected by the Eligible Customer, in form and substance satisfactory to the World Bank.

2. The Recipient shall take all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the ICPCI to perform all of its obligations set forth in this Agreement and the Memorandum of Understanding. The Recipient shall not take or permit to be taken any action which would prevent or interfere with such performance.
3. The Recipient shall take all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable LECs and the Eligible Customers to perform all of their respective obligations set forth in this Agreement and the Performance Agreement. The Recipient shall not take or permit to be taken any action which would prevent or interfere with such performance.
4. The Recipient shall exercise its rights under the Memorandum of Understanding and the Performance Agreement in such manner as to protect the interests of the Recipient, the World Bank and all other parties to the said Performance Agreement. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Memorandum of Understanding or any of its provisions, or the Performance Agreement or any of its provisions.

D. Land

The Recipient shall ensure that there will be no involuntary land acquisition under the Project, and that proper written consent is obtained from individual households being serviced.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Quarterly Report; Completion Reports

1. The Recipient shall monitor and evaluate the progress of the Project and the Environmental and Social Management Framework, and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and any other requirements agreed between the Recipient and the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.
2. The Recipient shall, in respect of each Slum selected pursuant to the provisions of paragraph C.1b(i) of Section I of this Schedule: (a) prepare Quarterly Reports, based on the Output Verification Reports referred to in paragraph B.2 of Section I of this Schedule, in scope and detail satisfactory to the World Bank, and verified by the Independent Verification Contractor; and (b) furnish such Quarterly Reports and, upon the request of the World Bank, furnish the

Output Verification Reports to the World Bank, in accordance with the provisions of Section IV of this Schedule 2 and the Operational Manual.

3. The Recipient shall prepare three Completion Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. First Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date. The second and third Completion Reports shall be furnished to the World Bank not later than one (1) month after the expiry of one (1) year and two (2) years respectively from the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system for the Project is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that Interim Financial Reports (IFRs) for the Project, as described in the Operational Manual, are prepared and furnished to the World Bank as part of the Project Report not later than one (1) month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited by auditors acceptable to the World Bank in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
4. Within six (6) months from the Effectiveness Date, the Recipient shall prepare and furnish to the World Bank a report, audited by independent auditors acceptable to the World Bank in accordance with consistently applied auditing standards acceptable to the World Bank, showing that proceeds of the Grant paid to the Recipient upon the Effectiveness Date from Categories (1) and (2) under Section IV.A.2 of this Schedule have been used for Eligible Expenditures under Part A of the Project.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

- (a) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 (“Procurement Guidelines”), and Operational Memorandum dated November 7, 2005, *Application of Paragraph 3.13 of the Procurement Guidelines to Cases Involving Incumbent Concessionaires*, in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the World Bank in May 2004 (“Consultant Guidelines”) in the case of consultants’ services; and
- (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.

- 2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

The following methods may be used for procurement of goods and works for contracts which the World Bank agrees to meet the requirements set forth in the Procurement Guidelines for their use: (a) Shopping; (b) Direct Contracting; and (c) Force Account.

C. Particular Methods of Procurement of Consultants’ Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection; (f) Established Private or Commercial Practices which have been found acceptable to the World Bank; and (g) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

Except as the World Bank shall otherwise determine by notice to the Recipient, each contract for goods, works or services procured by the Recipient under the Project, including contracts procured by the ICPCI or any LEC, shall be subject

to Prior Review by the World Bank if the value of such contract shall exceed US\$50,000 or the equivalent of US\$50,000. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of Grant Allocated (USD)	Percentage of Expenditures to be Financed
(1) Goods, works and consultants' services under Part A.1 of the Project	1,233,000	10% after the Effectiveness Date and receipt by the World Bank of a satisfactory bank guarantee; 70% of Eligible Expenditures after the First Condition has been met; 20% after the Second Condition has been met
(2) Goods, works and consultants' services under Part A.2 of the Project	267,000	10% after the Effectiveness Date and receipt by the World Bank of a satisfactory bank guarantee; 70% of Eligible Expenditures after the First Condition has been met; 20% after the Second Condition has been met
(3) Consultants' services for the Independent Verification Contractor under Part B of the Project	150,000	100%
TOTAL AMOUNT	<u>1,650,000</u>	

3. For the purposes of this Section IV, the following terms have the following meanings:
- (a) in regard to Project activities under Category (1) of the table in paragraph A.2 of Section IV of this Schedule, the term "Eligible Expenditures" means an amount of Rs.375 for the connection of electricity service for each Eligible Customer; the amount of Rs.71 per meter of distance for each Eligible Customer to connect electricity lines from point of service to the customer's household; and the amount of Rs.1,032 for each Eligible Customer to carry out his or her internal household wiring.
 - (b) in regard to Project activities under Category (2) of the table in paragraph A.2 of Section IV of this Schedule, the term "Eligible Expenditures" means

the amount of Rs.71 per meter distance for each Eligible Customer's connection of electricity lines from the point of service to the Eligible Customer's household; and the amount of Rs.1,032 for each Eligible Customer's internal household wiring.

- (c) the term "First Condition" means the Recipient furnishing to the World Bank a Quarterly Report, verified by the Independent Verification Contractor, and indicating that electricity connections and internal household wirings have been carried out by the LEC for the Eligible Customers in a manner and substance satisfactory to the World Bank, and that such connections are operating satisfactorily.
- (d) the term "Second Condition" means the Recipient furnishing to the World Bank a Quarterly Report, verified by the Independent Verification Contractor, covering the first six (6) months after the installation of electricity connections, and indicating that the delivery of electricity services to the point of service (electricity supply point after which the Recipient's regulatory obligation to serve the customer ends) for the Eligible Customers, and billing for the electricity services, are at levels satisfactory to the World Bank.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
- 2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2011.

APPENDIX 1**DEFINITIONS**

1. “Companies Act” means the Indian Companies Act of 1956, and includes any rules or regulations issued under the said Act or, as amended from time to time.
2. “Effectiveness Date” means the date on which this Agreement enters into effect pursuant to Section 5.01(a) thereof.
3. “Eligible Customers” means customers residing in the Slums and eligible to benefit from the provision of safe and reliable electricity services under the Project.
4. “Environment and Social Management Framework” means the Recipient’s framework dated April 2007, which sets out, *inter alia*, measures for preventing, minimizing and mitigating environmental risks under the Project, and strategies for improving benefits to disadvantaged groups, as such framework may be amended from time to time with the prior approval of the World Bank.
5. “ICPCI” means the International Copper Promotion Council of India, including any successor or successors thereto, providing technical assistance and advisory services to LECs in the carrying out of Project activities under Part A of the Project.
6. “LEC” means a licensed electricity contractor selected by an eligible customer to carry out the installation or the improvement of electricity connections to the household of said customer.
7. “MERC” means the Maharashtra Electricity Regulatory Commission, including any successor or successors thereto, carrying out a regulatory and oversight function pertaining to the business operations of the Recipient.
8. “Memorandum of Understanding” means the memorandum of understanding to be entered into between the Recipient and the ICPCI, pursuant to paragraph C.1(a) of Section 1 of Schedule 2 to this Agreement, setting forth commitments of both parties in accordance with Appendix 2 of this Agreement, as the same may be amended from time to time with the approval of the World Bank.
9. “Mumbai” means the capital city of the State of Maharashtra in India.

10. “New Connection” or “New Electricity Connection” means the installation of electricity supply to an Eligible Customer that had no access to such services.
11. “Operational Manual” means the Recipient’s manual dated October 8, 2008, which sets out, *inter alia*, the arrangements, procedures and time schedules for implementation of the Project, as such manual may be amended from time to time with the prior approval of the World Bank.
12. “Output Verification Reports” means the reports evidencing, *inter alia*, verification of outputs under Part B of Schedule 1 to this Agreement and as referred to in paragraph A.2 of Section II of Schedule 2 to this Agreement.
13. “Performance Agreement” means the performance agreements to be entered into among the Recipient, the LECs and the eligible customers pursuant to paragraph C.1(b)(ii) of Section I of Schedule 2 to this Agreement, setting forth the respective obligations of the parties in accordance with Appendix 4 of this Agreement, as the same may be amended from time to time with the approval of the World Bank.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, as set out in Annex C, Part (D) of the Operational Manual, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Quarterly Report” means the report referred to in Section II.A.2 of Schedule 2 to this Agreement.
16. “Slum” means a slum area in Mumbai which meets the eligibility criteria set forth in, and has been selected in accordance with, the Operational Manual and this Agreement.

APPENDIX 2**Memorandum of Understanding**

Except as the World Bank shall otherwise agree, the Memorandum of Understanding between the Recipient and the ICPCI shall, *inter alia*, include the following provisions:

1. The Recipient shall be responsible for, *inter alia*, implementing the Project and coordinating the carrying out of project activities by the ICPCI, including the identification of areas in which activities of the Project can be expanded to, if required, providing financing to carry out new electricity connections, obtaining regulatory approvals for carrying out activities of the Project, furnishing to the World Bank periodic reports pertaining to the implementation of the Project, and furnishing information to the Independent Verification Contractor for the evaluation of the Project.
2. The Recipient shall, *inter alia*:
 - (a) agree to undertake implementation of its respective activities under the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and to provide, promptly as needed, the funds, facilities, services and other resources required thereto;
 - (b) from time to time, at the request of the World Bank:
 - (i) undertake to exchange views with the World Bank with regard to the progress of carrying out its activities under the Project, its performance under the Memorandum of Understanding;
 - (ii) furnish all information related thereto as may reasonably be required by the World Bank; and
 - (iii) participate in the reviews of Project implementation and assist the Recipient in preparation of Project Reports referred to in paragraph A of Section II of Schedule 2 to this Agreement; and
 - (c) have the right to suspend or terminate the Memorandum of Understanding upon failure of the ICPCI to perform any of its obligations under the Memorandum of Understanding; and

3. ICPCI shall, *inter alia*:
- (a) agree to provide technical assistance and advice to LECs, acting with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and to provide, promptly as needed, services and other resources required thereto;
 - (b) agree to provide technical assistance and advice to LECs in accordance with the provisions of the Operational Manual, the Environmental and Social Framework and this Agreement, and such assistance or advice shall include technical assistance and advice regarding the upgrading of electrical wirings, the technical specifications of electrical wiring upgrades, the determination of appropriate qualifications for LECs to carry out activities under the Project, and the training of LECs on the application of safe and reliable electrical wiring practices;
 - (c) agree to inform the Recipient of any condition which interferes or threatens to interfere with the objectives of the Project, or the performance of its obligations under the Memorandum of Understanding; and
 - (d) have the right to suspend or terminate the Memorandum of Understanding upon the failure of the Recipient to perform any of its obligations under the Memorandum of Understanding.

APPENDIX 3

Eligibility Criteria

Without prejudice to the generality of paragraph C.1(b)(i) of Section I of Schedule 2 to this Agreement and the provisions of the Operational Manual, the eligibility criteria referred to in paragraph C.1(b)(i) of Section I of Schedule 2 to this Agreement and paragraph 5 of Appendix 1 to this Agreement shall include the following:

1. Households located in the geographic area commonly known as Shivajinagar that are in close proximity to the following demarcating boundaries:
 - (a) the dumping ground to the east of Shivajinagar;
 - (b) the rehabilitation housing compound to the west of Shivajinagar;
 - (c) Ghatkopar Mankhurd Link Road to the south of Shivajinagar; and
 - (d) Nabhela Parekh Marg to the north of Shivajinagar.
2. Any other households in the slum areas of Mumbai as agreed upon by the World Bank and the Recipient.

APPENDIX 4**Performance Agreement**

Except as the World Bank shall otherwise agree, the Performance Agreement involving the Recipient, the LECs and the eligible customers shall, *inter alia*, include the following provisions:

1. The Recipient shall, *inter alia*:
 - (a) agree to review the work of LECs under the Project regarding the installation of electricity connections or the improvement and upgrading of such connections;
 - (b) agree to cooperate with the Independent Verification Contractor in the implementation of Part B of Schedule 1 to this Agreement, and
 - (c) agree to make financial payments to an LEC after the Independent Verification Contractor has furnished a report to the Recipient that the LEC has satisfactorily carried out its activities under the Project.

2. Each LEC shall, *inter alia*:
 - (a) agree to, *inter alia*, install or improve the provision of safe and reliable supply of electricity to households of the Eligible Customers with whom the LEC will have agreed to provide such services under this Project, acting with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and to provide, promptly as needed, facilities, services and other resources required thereto;
 - (b) agree to inform the Recipient of any condition which interferes or threatens to interfere with the performance of its obligations under the Performance Agreement;
 - (c) from time to time, at the request of the Recipient:
 - (i) undertake to exchange views with the Recipient with regard to the progress of carrying out its activities under the Project, its performance under the Performance Agreement and other matters relating to the purposes of the Project;
 - (ii) furnish all information related thereto as may reasonably be required by the Recipient; and

- (iii) participate in the reviews of Project implementation and assist the Recipient in preparation of Project Reports referred to in paragraph A of Section II of Schedule 2 to this Agreement; and
 - (d) agree that the Recipient may suspend or terminate the Performance Agreement upon failure of the LEC to perform any of its obligations under the Performance Agreement.
- 3. Each Eligible Customer shall agree, *inter alia*, to:
 - (a) make a financial contribution towards the installation or improvement of safe and reliable supply of electricity to the customer's household, and the said contribution shall not form part of the eligible expenditures under Section IV of Schedule 2 to this Agreement;
 - (b) pay monthly utility bills for the provision of electricity services to the household of such customer; and
 - (c) grant access to the Independent Verification Contractor to allow an inspection of work carried out by the LEC.

APPENDIX 5

Performance Monitoring Indicators

The Recipient shall cause the Independent Verification Contractor to monitor the performance of any LEC in carrying out the Project activities and to verify the outputs relating to such performance, including furnishing the World Bank with Independent Verification Reports that cover, *inter alia*, the following areas:

Verifiable Project Indicators				
<i>Project Characteristics</i>				
Project output(s)				
Targeting of subsidy (community decisions, geographic)				
OBA design period		months		
Planned implementation period for outputs		months		
Number of people per household in project area		Number		
Comparator, average subsidy required in similar projects		Rs. or US dollars per electricity connection		
<i>Financing (semi-annually)</i>				
			<u>GPOBA</u>	<u>Donors</u>
			<u>Government</u>	<u>Local</u>
Investment grants		Rs. or US dollars thousands		
Private sector investment finance, if any (own funds/loans)				
Private sector finance mobilized for investments		Rs. or US dollars thousands		
Guarantors (if any)				
Guarantee amount		Rs. or US dollars thousands		
Up-front user contribution		Rs. or US dollars thousands		
<i>Use of contractors</i>				
Number of participating contractors		Number		
<i>Project Outcome ¹⁾</i>				
Cost of alternative service provision		Rs. or US dollars		
Percentage of GPOBA subsidy reaching poor households		Percentage		
GPOBA payments proceeding according to plan (Y/N)?				
Payments delay, if any		Months		
Other benefits such as time saving and improved health				²⁾

User assessment of project (no/poor/fair/good/very good)					
Number of jobs created	Number				
Means of dissemination of lessons learned, if any		<u>2007</u>	<u>2008</u>	<u>2009</u>	-
No. of people with increased access due to the project	Number				
Percentage of population in target area with electricity connection	Percentage				
No. of new connections established	Number				
Kwh sales per year	Kilo watts (Kwh)				
Service availability (daily average)	Half day				
Unscheduled electricity supply failures lasting more than 30 minutes	Number/Year				
Electricity tariff	Rupees/kWh				
Collection rate	Percentage				
Affordability ratio ³⁾	Percentage				
<i>Unit cost</i>					
		<u>2007</u>	<u>2008</u>	<u>2009</u>	-
Estimated unit cost	Rs. or US dollars				
Actual unit costs	Rs. or US dollars				
<i>Replicability</i>					
Pilot scheme or replication?					
Scheme introduced to other potential financiers (Y/N)?					
Scheme considered for replication/replicated (Y/N)?					
Funding of replications if any (government, donors)					
1) General data under Project Outcome to be based on USAID survey.					
2) Describe and give relevant indicators					
3) Average bill per household per month divided by average monthly household expenditure					