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Report No: PAD1754

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GEF TRUST FUND GRANT

IN THE AMOUNT OF US\$1.42 MILLION TO

INDIA

AND

A PROPOSED ADDITIONAL GEF TRUST FUND GRANT

IN THE AMOUNT OF US\$3.77 MILLION TO

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

FOR THE

FINANCING ENERGY EFFICIENCY AT MSMEs PROJECT – PROGRAMMATIC  
FRAMEWORK FOR ENERGY EFFICIENCY

October 12, 2016

ENVIRONMENT & NATURAL RESOURCES  
SOUTH ASIA REGION

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 1, 2016)

Currency Unit = INR  
INR 65 = US\$1  
US\$ 1.41 = SDR 1

## FISCAL YEAR

April 1 – March 31

## ABBREVIATIONS AND ACRONYMS

BEE	Bureau of Energy Efficiency
CETEE	Centre of Excellence for Training on Energy Efficiency
CO <sub>2</sub>	Carbon dioxide
COP21	21st Conference of the Parties
CPS	Country Partnership Strategy
EE	Energy Efficiency
EEIMs	Energy Efficiency Improvement Measures
EIRRs	Economic Internal Rates of Return
ERs	Emissions Reduction
ESMFs	Environmental and Social Risk Management Framework
FIRRs	Financial Internal Rates of Return
FEEMP	Financing Energy Efficiency at MSME
FIs	Financial Institutions
GEF	Global Environment Facility
GHG	Greenhouse Gas
IGDPRs	Investment Grade Detailed Project Reports
INDC	Intended Nationally Determined Contributions
IUFR	Interim Unaudited Financial Report
LSPs	Local Service Providers
MSME	Micro Small and Medium Enterprise
O&M	Operations and Maintenance
PFEE	Programmatic Framework for Energy Efficiency
SIDBI	Small Industries Development Bank of India
RF	Revolving Fund

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**INDIA**  
**ADDITIONAL FINANCING FOR FINANCING ENERGY EFFICIENCY AT MSMEs**  
**PROJECT - PROGRAMMATIC FRAMEWORK FOR ENERGY EFFICIENCY**

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**ADDITIONAL FINANCING DATA SHEET**

*India*

*Additional Financing for Financing Energy Efficiency at MSMEs Project - Programmatic Framework for Energy Efficiency (P158033)*

**SOUTH ASIA**

**GENDR**

<b>Basic Information – Parent</b>							
Parent Project ID:	P100530	Original EA Category:	B - Partial Assessment				
Current Closing Date:	30-Dec-2016						
<b>Basic Information – Additional Financing (AF)</b>							
Project ID:	P158033	Additional Financing Type (from AUS):	Scale Up				
Regional Vice President:	Annette Dixon	Proposed EA Category:					
Country Director:	Junaid Kamal Ahmad	Expected Effectiveness Date:	25-Nov-2016				
Senior Global Practice Director:	Julia Bucknall	Expected Closing Date:	04-May-2019				
Practice Manager/Manager:	Kseniya Lvovsky	Report No:	PAD1754				
Team Leader(s):	Sita Ramakrishna Addepalli						
<b>Borrower</b>							
Organization Name	Contact	Title	Telephone	Email			
Small Industries Development Bank of India	Ramesh G. Dharmaji	Chief General Manager	91-11-23682470	rdharmaji@sidbi.in			
Bureau of Energy Efficiency	Meera Shekhar	Secretary	91-11-26178316	shekhar.meera@gov.in			
<b>Project Financing Data - Parent (INDIA - Financing Energy Efficiency at SMEs-P100530) (in USD Million)</b>							
<b>Key Dates</b>							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P100530	TF-10422	Effective	13-Sep-2010	13-Sep-2010	28-Oct-2010	31-Dec-2014	30-Dec-2016
P100530	TF-97126	Effective	13-Sep-2010	13-Sep-2010	28-Oct-2010	31-Dec-2014	30-Dec-2016

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P100530	TF-10422	Effective	USD	9.05	9.56	0.00	6.38	3.18	66.70
P100530	TF-97126	Effective	USD	2.25	1.74	0.52	1.27	0.47	73.08
Project Financing Data - Additional Financing Programmatic Framework for EE – MSMEs – Additional Finance (P158033)(in USD Million)									
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		30.19			Total Bank Financing:		0.00		
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
Borrower								0.20	
Global Environment Facility (GEF)								5.19	
Borrowing Country's Fin. Intermediary/ies								24.80	
Total								30.19	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name	Role	Title	Specialization	Unit					
Sita Ramakrishna Addepalli	Team Leader (ADM Responsible)	Senior Environmental Specialist	Resource Efficiency	GEN06					
Atin Kumar Rastogi	Procurement Specialist (ADM Responsible)	Procurement Specialist	Procurement Specialist	GGO06					
Anantha Krishna Karur	Financial Management Specialist	Financial Management Analyst	Financial Management Specialist	GGO24					
Ashok Sarkar	Team Member	Senior Energy Specialist	Energy	GEEDR					

Sameer Akbar	Safeguards Specialist	Senior Environmental Specialist	Environment & Climate Change	GCCPT	
Sarita Rana	Team Member	Senior Program Assistant	ACS	SACIN	
Giovanni Bo	Counsel	Counsel	Legal	LEGES	
Victor Ordonez	Finance Officer	Sr. Finance Officer	Finance	WFALN	
<b>Extended Team</b>					
<b>Name</b>		<b>Title</b>		<b>Location</b>	
Vinod Kumar Gautam		Consultant			
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
India	Uttar Pradesh	Khurja	X		
India	Telangana	Hyderabad	X		
India	Gujarat	Vapi	X		
India	Haryana	Kundli	X		
India	Uttar Pradesh	Muzaffarnagar	X		
<b>Institutional Data</b>					
<b>Parent (INDIA - Financing Energy Efficiency at SMEs-P100530)</b>					
<b>Practice Area (Lead)</b>					
Environment & Natural Resources					
<b>Contributing Practice Areas</b>					
<b>Cross Cutting Topics</b>					
[ ] Climate Change					
[ ] Fragile, Conflict & Violence					
[ ] Gender					
[X] Jobs					
[ ] Public Private Partnership					
<b>Sectors / Climate Change</b>					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Energy and mining	Energy efficiency in Heat and Power	63			
Finance	SME Finance	27			
Public Administration, Law, and Justice	Public administration-	10			

	Energy and mining			
Total		100		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Environment and natural resources management	Climate change	72		
Financial and private sector development	Financial Consumer Protection and Financial Literacy	28		
Total		100		
<b>Additional Financing Programmatic Framework for EE – MSMEs – Additional Finance (P158033)</b>				
<b>Practice Area (Lead)</b>				
Environment & Natural Resources				
<b>Contributing Practice Areas</b>				
<b>Cross Cutting Topics</b>				
<input checked="" type="checkbox"/> Climate Change <input type="checkbox"/> Fragile, Conflict & Violence <input type="checkbox"/> Gender <input checked="" type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Energy and mining	Energy efficiency in Heat and Power	63		100
Finance	SME Finance	27		100
Public Administration, Law, and Justice	Public administration- Energy and mining	10		100
Total		100		
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
<b>Green House Gas Accounting</b>				
Net Emissions	0.00	Gross Emissions	0.00	
<b>Themes</b>				

Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Environment and natural resources management	Climate change	72
Financial and private sector development	Financial Consumer Protection and Financial Literacy	28
Total		100
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>		
Consultants Required? Consultants will be required		



## **I. Introduction**

1. This Project Paper seeks the approval of the Executive Directors to provide an additional GEF grant in the amount of US\$ 5.19 million to India with Bureau of Energy Efficiency as the implementing agency, and Small Industries Development Bank of India (SIDBI). This would be complemented by additional co-financing in the form of commercial loans for Energy Efficiency (EE) investments in Micro, Small and Medium Enterprises (MSME) sector by SIDBI to the tune of US\$ 25 million.
2. The proposed Additional Financing (AF) would be used to further scale up the initiatives of the parent project. The project development objective of the parent project will remain the same for the AF operation. The AF will also contribute to bridging the current gap in understanding between different stakeholders, mainly energy professionals, technology suppliers, entrepreneurs, banks and financial institutions. The project will focus on tapping into EE benefits through a three-pronged approach, which includes i) awareness/capacity building, especially involving the three groups of stakeholders referred above; ii) direct interventions to increase EE investments at MSME level, facilitating active involvement of service providers and Financial Institutions (FIs); and iii) expanding the EE knowledge base to scale up and replicate the project initiatives, especially through establishing key performance indicators.
3. The AF will focus efforts in energy-intensive MSME sectors and/or clusters to increase the demand for EE products and services and mobilize several actionable initiatives. This would typically include: replication of proven technologies, demonstration of scaled-down technologies that are proven in large scale units, but not available for MSMEs, unit-level specific technical assistance, financial instruments to facilitate EE technology deployment, and others. Given the available resources and the pool of MSMEs, the actual measurable EE initiatives under additional financing will be implemented in about 230 MSME units.
4. The parent project currently has a “Satisfactory” rating for progress towards achievement of Project Development Objective (PDO), and implementation performance (IP). These ratings have been consistently maintained over the past two years. All the covenants have been complied with and there are no unresolved fiduciary issues. The proposed additional financing is consistent with the Government programs and is also aligned with the Bank’s Country Partnership Strategy (CPS, 2013-2017) with its focus on inclusive growth, jobs, private sector development, sustainability and reduced Greenhouse Gas (GHG) emission intensity.
5. The proposed AF would be processed with the following changes: (i) adjustment of the targets of the results indicators to reflect the proposed scale up and measuring outcomes that would help the Bank track progress towards GHG emission reduction and (ii) closing date extension to May 4, 2019 to ensure synergy, as the AF relates to replication and scaling up of existing project components. The proposed Results Framework is attached in Annex 1.

## **II. Background and Rationale for Additional Financing**

6. The parent project – India: Financing Energy Efficiency at MSME Project (FEEMP) was approved by the Board on May 27, 2010 with an original GEF Grant amount of US\$ 11.3 million. The project became effective on September 29, 2010 and is currently scheduled to close on December 30, 2016. The Development Objective of the project is *to increase demand for energy efficiency investments in target micro, small and medium enterprise clusters and to build their capacity to access commercial finance. The objective supported the Global Environmental Objective of stabilizing atmospheric concentrations of GHGs*

through an increase in EE investments and resulting energy savings. The project supports increasing demand for EE investments by adopting a cluster approach to facilitate the development of customized EE products and financing solutions in five targeted industry clusters. It will build the capacity of identified apex organizations to assist MSME units in identifying additional EE projects in the future, aiding in a widespread replication. The project also covers the activities to raise the quality of EE investment proposals from a technical and commercial perspective. It will increase capacity of both project developers and bank loan officers and branch managers to help reduce the gap between project identification and successful delivery of commercial finance. The parent project implementation covers four components outlined below, initially focusing on five MSME industrial clusters at Pune, Kolhapur, Ankaleshwar, Faridabad, and Tirunelveli. Subsequently, the following four clusters were added: Ludhiana, Varanasi, Dehradun, and Hyderabad.

7. Parent Project Components. Component 1: Increasing awareness of EE in project clusters on a large scale through outreach efforts, information dissemination of successful projects. Component 2: Prepare and implement 500 EE proposals through TA for preparing Investment Grade Detailed Project Reports (IGDPRs). It involves detailed energy audits and preparing financing plans, facilitating loans from banks and FIs, and providing implementation support. A Revolving Fund (RF) has already been established under this component, which facilitates interest subvention for EE investments up to 3.5%. Component 3: Broad Programmatic EE Knowledge Management effort for monitoring and evaluation, collection of best practice examples, dissemination, and policy development functions with the goal of ensuring effective implementation and replication of EE improvement efforts at MSMEs. Component 4: Implementation support for the two PMUs at Bureau of Energy Efficiency (BEE), the Project implementing agency for the portion of the Grant extended to India, and SIDBI. Table 1 presents the key project data as of March 31, 2016:

Table 1: Key Project Data		Current Ratings and Flags	
Board Date	May 27, 2010	Development Objectives (DOs)	S
Effectiveness Date	Sept 29, 2010	Implementation Progress	S
Closing Date	Dec 30, 2016	Problem Flags	None
% Disbursed	67.4%	Risks	Low
Age	5 years 10 Months		

8. The key achievements of the parent project till date include:

(i) Energy Efficiency Investments: One of the key objectives of the project is to facilitate Energy Efficiency investments in MSME clusters. In line with this objectives, the project has facilitated and extended technical assistance for preparation and implementation of Investment Grade EE Improvement Measures (EEIMs). Currently about 2,500 out of the 3,200 EEIMs that were committed are implemented in approximately 600 MSMEs spread across four major MSME clusters. The implementation of proposed EEIMs has leveraged direct EE investments of INR 980 million from the market (of which about INR 600 million worth EE works are completed and the rest are ongoing), and this figure is expected to increase to INR 1,200 million. These investments could achieve Lifetime Emission Reductions of 1 million tons of CO<sub>2</sub> which will be further expected to result in 1.5 to 1.8 million direct ERs.

(ii) Capacity Building: The project has achieved significant results in the area of EE capacity building. Some of the key achievements include the following: (a) streamlining the process of

preparation of EE investment grade proposals which would be acceptable for financing by Banks and Financial Institutions; (b) hands-on training of 750 energy professionals including skill upgradation at Centre of Excellence for Training on Energy Efficiency (CETEE), as well as on-site training in SME sectors, such as Forging, Foundry, Chemical, and Mixed Engineering; (c) EE awareness raising for more than 2,000 MSME entrepreneurs and all the commercial Banks and Financial Institutions; and (d) establishment of vendor linkages through cluster level vendor exhibitions involving more than 500 vendors.

(iii) Enabling EE Financing Mechanisms: The project took up two key initiatives to streamline EE in commercial lending. These include: (a) establishment of energy efficiency revolving fund fully integrated into SIDBI lending products to encourage comprehensive EE investments. The fund provided about 2.5% interest benefit on EE lending based on comprehensive energy audits; and (b) integration of EE aspects in to MSME credit rating which will facilitate EE investments in the long run. CARE, one of the leading rating agencies, is currently in the process of updating their MSME rating tool, which is expected to be replicated across the rating agencies. About 60% of the fund is already committed.

(iv) MSME Technology Support: MSME technology aspects are currently supported through the project and the key achievements in this area include the following: (a) scaling up of existing technologies for MSMEs, which are restricted or limited to large scale industries and has not been exploited for MSME sector. For example some of the technologies made available for MSMEs include - Veneering in heat treatment furnaces to minimize heat losses, Rotary Vacuum Drier (RVD) in chemical industries; Radiant Heat Generator (RHG) in chemical industries; and (b) establishment of Centers of Excellence on commercial basis involving cluster level industry associations. Such an initiative is in advanced stage of implementation for establishing a center for EE motors and motor windings.

(v) Knowledge Products: The project has created more than 50 knowledge products in the form of media products (including poster series, case studies, and videos, newsletters, etc.), ready to refer guides, manuals, tip sheets, and other knowledge products. Currently the project is in the process of launching a SME Energy Efficiency Portal.

### ***Rationale for Additional Financing in the Amount of US\$ 5.19 million***

9. The EE penetration in the MSME sector under FEEMP is being achieved in five geographical clusters representing primarily four major categories of industries with demonstrable results. Replication of results is ongoing through different government programs in 30-40 clusters with similar sectoral profile across the country. Implementation of this project has evidenced strong demand from the GoI and other stakeholders, including the private sector, to promote EE in MSMEs.

10. While the results of FEEMP implementation are encouraging, there are many additional needs for EE interventions which would facilitate transformational impact and improve competitive advantage of MSMEs. Such needs include replication of the experiences in other energy intensive sub-sectors, for example, pharmaceutical industry, ceramics, agriculture and food processing units; supporting pipeline development by decreasing the risks associated with EE investments; customizing and demonstrating advanced EE technologies for MSME operations; and facilitating demand aggregation of unit-specific interventions so that implementation becomes economical for vendors; and enhancing the potential of replication.

11. The proposed operation is in line with the Government program (as discussed above) and is also aligned with the Bank's CPS with its focus on inclusive growth, jobs, private sector development, sustainability and reduced GHG emission intensity. In particular, the CPS highlights the need to facilitate access to finance for MSMEs, and reduced GHG emissions through energy efficiency. Given this, the project contributes to CPS first area – integration, by facilitating access to finance of MSMEs; and second area of engagement on transformation through reduced GHG emissions by enabling energy efficiency in manufacturing sector thereby directly contributing to the CPS indicator. The project also directly contributes to the CPS third area of engagement on inclusion by supporting MSMEs and facilitating better performance and access to loans.

12. The Government of India's Intended National Determined Contributions (INDC) submission to the UNFCCC before COP21 in Paris recognized EE improvement in the industrial sector as one of the important mitigation strategies to combat climate change. The INDC document also highlights successful initiatives taken at 500 SMEs by the Small Industries Development Bank of India (SIDBI), which is delivered through the ongoing GEF 4 project FEEMP as part of the Programmatic Framework for Energy Efficiency (PFEE).

### III. Proposed Changes

<b>Summary of Proposed Changes</b>	
The Project Development Objective under the proposed additional financing will remain the same as the parent project. The closing dates of TF010422 and TF097126 will be extended to May 4, 2019. While the existing project components and the nature of activities will remain, their scope has been revised to ensure replication and scaling up of achievements under the parent project. The proposed additional financing of US\$ 5.19 million will be allocated to: Component 1 for awareness/ Capacity building (US\$ 0.65 million); Component 2 for direct interventions to increase EE investments (US\$ 3.25 million); Component 3 for expanding the EE knowledge base, especially through establishing key performance indicators (US\$ 0.89 million); and Component 4 for project management (US\$ 0.4 million).	
Change in Implementing Agency	Yes [ ] No [ X ]
Change in Project's Development Objectives	Yes [ ] No [ X ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [ X ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ ] No [ X ]
Change in Legal Covenants	Yes [ X ] No [ ]
Change in Loan Closing Date(s)	Yes [ X ] No [ ]
Cancellations Proposed	Yes [ ] No [ X ]
Change in Disbursement Arrangements	Yes [ ] No [ X ]
Reallocation between Disbursement Categories	Yes [ ] No [ X ]
Change in Disbursement Estimates	Yes [ X ] No [ ]
Change to Components and Cost	Yes [ X ] No [ ]
Change in Institutional Arrangements	Yes [ ] No [ X ]

Change in Financial Management	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Procurement	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Implementation Schedule	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Other Change(s)	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
<b>Development Objective/Results</b>	
<b>Project's Development Objectives</b>	
Original PDO To increase demand for energy efficiency investments in target micro, small and medium enterprise clusters and to build their capacity to access commercial finance. The Project Development Objective supports the global environmental agenda of stabilizing atmospheric concentrations of greenhouse gases (GHG) through an increase in Energy Efficiency investments and resulting energy savings.	
<b>Change in Results Framework</b>	
Explanation:  While the result indicators remain unchanged, the targets are being changed to reflect the proposed scale up and measuring outcomes that would help the Bank track progress towards achieving the PDO and the GEOs. The following key quantifiable indicators which have been used for monitoring the parent project will be continued to be used to monitor the progress towards the proposed additional financing:  (i) Number of Investment Grade Detailed Project Reports prepared to facilitate EE investments (ii) Aggregate value of direct EE investments mobilized during the project period (iii) Cumulative and estimated lifetime Carbon ERs through direct investments (million tons of CO <sub>2</sub> ). (iv) Estimated replicable EE Investments (in US\$ million @ 1\$ = INR 65) (v) Potential lifetime million tons of ERs (million tons of CO <sub>2</sub> ).  The summary of estimated results from additional financing include:  (a) Cumulative and estimated lifetime Carbon ERs: The ERs are estimated considering direct emission reductions through direct investments which emerge from expected implementation in 230 MSME units. The 230 units are proposed for implementation based on available resource of US\$ 2.5 million in RF. The estimated ERs are classified under two major categories: (i) lifetime direct GHG emissions avoided due to direct interventions under the project; (ii) potential GHG emissions avoided due to post-project re-investment of RF, as well as indirect ERs arising from replication potential. Annex 2 presents the detailed results including different % scenarios of project penetration in terms of actual implementation by the units. The committed ERs are presented considering 85% penetration.  (b) Direct Investments: The aggregate value of direct EE investments in the amended project is estimated at US\$ 10 million considering that the proposed RF of US\$ 2.5 million would leverage at least 3 times as detailed under component 2.2 above. Further, considering the loan tenure of 5 years, the RF will be rolled out at least 2 additional cycles of 5 years each, after the project closure leading to replicable investments in the order of about US\$ 25 million.	

## Compliance

### Covenants - Additional Financing (Programmatic Framework for EE – MSMEs – Additional Finance - P158033)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
GEFU	TF010422	SIDBI make sub-grants to Beneficiaries in accordance with eligibility criteria and selection procedures acceptable to the World Bank.		<input checked="" type="checkbox"/>	CONTINUOUS	New
GEFU	TF010422	SIDBI to implement Parts A1, A2, A3, B and D2 of the Project in accordance with the ESMF		<input checked="" type="checkbox"/>	CONTINUOUS	New
GEFU	TF010422	SIDBI to make EEI loans, through the revolving fund facility, to beneficiaries for purposes of financing EE Investments, in accordance with eligibility criteria and selection procedures acceptable to the World Bank and with the SIDBI Operations Manual		<input checked="" type="checkbox"/>	CONTINUOUS	New
GEFU	TF097126 and TF010422	BEE and SIDBI to maintain a PMU		<input checked="" type="checkbox"/>	CONTINUOUS	New
GEFU	TF097126 and TF010422	SIDBI and BEE shall carry out the project in accordance with the guidelines, criteria, rules and procedures described in their respective project operations manuals		<input checked="" type="checkbox"/>	CONTINUOUS	New

<b>Conditions</b>					
<b>Source Of Fund</b>		<b>Name</b>		<b>Type</b>	
GEFU		Revolving Fund (TF010422)		Disbursement	
<b>Description of Condition</b>					
Recipient to maintain the revolving fund account on terms and conditions acceptable to the World Bank for disbursements under Category (4).					
<b>Risk</b>					
<b>Risk Category</b>				<b>Rating (H, S, M, L)</b>	
1. Political and Governance				Low	
2. Macroeconomic				Low	
3. Sector Strategies and Policies				Moderate	
4. Technical Design of Project or Program				Low	
5. Institutional Capacity for Implementation and Sustainability				Low	
6. Fiduciary				Low	
7. Environment and Social				Low	
8. Stakeholders				Low	
9. Other					
OVERALL				Low	
<b>Finance</b>					
<b>Loan Closing Date - Additional Financing (Programmatic Framework for EE – MSMEs – Additional Finance - P158033)</b>					
<b>Source of Funds</b>			<b>Proposed Additional Financing Loan Closing Date</b>		
Global Environment Facility (GEF)			4-May-2019		
<b>Loan Closing Date(s) - Parent (INDIA - Financing Energy Efficiency at SMEs - P100530)</b>					
Explanation:					
The proposed additional financing relates to replication of components and activities under the parent project in new MSME clusters. Also, the proposed activities in the new clusters will synergize the results already achieved. A single monitoring and evaluation framework and the implementation agency to draw upon the results and ensure seamless integration for better results.					
<b>Ln/Cr/TF</b>	<b>Status</b>	<b>Original Closing Date</b>	<b>Current Closing Date</b>	<b>Proposed Closing Date</b>	<b>Previous Closing Date(s)</b>
TF-10422	Effective	31-Dec-2014	30-Dec-2016	4-May-2019	31-Dec-2014, 30-Dec-2016
TF-97126	Effective	31-Dec-2014	30-Dec-2016	4-May-2019	30-Dec-2016
<b>Change in Disbursement Estimates (including all sources of Financing)</b>					
Explanation:					
Changes reflect the expected disbursement after including the proposed additional finance. Parent project					

disbursed US\$7.62 million till July 2016. The undisbursed amount of US\$3.68 million and the proposed additional finance will be disbursed over the period of FY17-FY19.

**Expected Disbursements (in USD Million)(including all Sources of Financing)**

Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual	7.62	1.50	2.48	4.89	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	7.62	9.12	11.60	16.49	0.00	0.00	0.00	0.00	0.00	0.00

**Allocations - Additional Financing (Programmatic Framework for EE – MSMEs – Additional Finance - P158033)**

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement %(Type Total)
			Proposed	Proposed
GEFU	USD	TF097126 - Training and Services (Grant Agreement Reference: Parts A4, A5, C and D1 under the project)	1,240,000.00	100.00
	USD	TF097126 - Incremental Operating Cost (Grant Agreement Reference: Parts A4, A5, C and D1 of the Project)	180,000.00	100.00
	USD	TF010422 - Training and Series (Grant Agreement Reference: Parts A1, A2, A3, B1, B2 and D2 of the Project)	1,050,000.00	100.00
	USD	TF010422 - Sub-Grants for Sub-Projects (Grant Agreement Reference: Part B2 of the Project)	0.00	0.00
GEFU	USD	TF010422 - Incremental operating Cost	220,000.00	100.00
	USD	TF010422 - EEI Loans for Energy Efficiency Investments (GA Reference: Part B.3 of the Project)	2,500,000.00	100.00
		<b>Total:</b>	5,190,000.00	
LFI	USD		0.00	0.00
		<b>Total:</b>	0.00	

**Components**

**Change to Components and Cost**

Explanation:

The project will engage in focused efforts in energy-intensive MSME sectors and/or clusters to increase the demand for EE products and services and mobilize several actionable initiatives, which would typically include: replication of proven technologies, demonstration of scaled down technologies which are proven in



large scale units but not available for MSMEs, unit-level specific technical assistance, financial instruments to facilitate EE technology deployment, etc. The sub-sectors considered for implementation include agro-based and food processing units, ceramic industries, pulp and paper units, pharma sector, and consumer electricals. These categories are broadly comparable to the size and types of processing systems addressed so far in FEEMP i.e. mixed engineering, forging and foundry, chemical units. These sub-sectors consume about 25% of the energy share of MSMEs. Annex 1 presents the proposed components and the costs. The components envisaged for implementation under the additional financing include the following:

Component 1: Build capacity, awareness, and EE market (total US\$ 0.71 m, from which US\$ 0.65m GEF). Many of the energy efficient equipment vendors usually focus on large-scale units with limited interest to cater to MSME sector clients, mainly due to perceived difficulties in reaching out to MSMEs. However, once aware of the business volumes to be realized, especially considering that about 46% industrial production is from the MSME sector, the large vendors mobilize quickly with multiple marketing strategies, such as supply chain efficiency, OEM management, cluster business models, and system integrators. On the other hand, MSMEs engage in misperceived cost cutting by engaging local fabricators, mainly semi-skilled, resulting in inefficient equipment. Under the FEEMP, several capacity building initiatives have been taken up to build the awareness of MSME units on the importance of selecting energy efficient equipment and on the importance of deploying skilled professionals to improve O&M practices, as well as on selecting the right vendors. FEEMP has also implemented several demonstration pilots. Further, to complement these efforts, there is a need also to focus on local/cluster level skill development, as well as the establishment of business linkages through vendor development. Thus, Component 1 would facilitate business-to-business linkages by expanding BEE's support to: (i) replicate successful technologies in MSMEs, focusing on homogenous clusters by appropriate technology providers; (ii) enhance marketing and outreach efforts to selected clusters, skill development of local service providers, capacity building at industry associations including awareness on performance indicators in the context of emerging technologies, enabling EE assessment mechanisms, and media products for enhanced awareness and outreach; and (iii) carry out training, audit, BEE certification and enlistment activities. The additional financing will also continue to support SIDBI in carrying out the activities under Component 1, including (a) specialized technical advisory services to increase awareness of energy efficiency at select cluster and plant levels, including the implementation of outreach efforts, dissemination of information on successful projects, and packaging of potential investment proposals in energy efficiency for financing; and (b) unit level technical advisory services to selected MSMEs in accessing finance, vendor outreach and enlistment. This component will be jointly implemented by BEE and SIDBI. While SIDBI will focus on awareness raising for EE investment at its own branches as well as other FIs, BEE will ensure EE knowledge exchange, experience sharing, and technical integrity.

Component 2: Increase EE investments in MSMEs (total US\$ 28.05, from which US\$ 3.25m GEF). The objective of this component is to support the EE opportunities highlighted above to facilitate higher level of EE investments for about five categories of MSMEs spread in different geographical clusters. This component will provide support to development of the pipeline that goes beyond the TA support of Component 1 by decreasing the risks associated with such investments. On the demand side, MSMEs are unable to prepare EE projects but are also reluctant to spend any resources on the preparation of a bankable proposal by a third party, particularly if this is an unfamiliar activity in the industry.

Component 2.1: Provide TA for preparing EE investment proposals (US\$ 0.75m GEF). To address risks associated with implementing unfamiliar technologies, this US\$ 0.75 million component will cover the costs

of developing a pipeline of an additional 230 Investment Grade Detailed Project Reports (IGDPRs). The IGDPRs will identify unit-specific EE opportunities to be implemented. This component will also provide assistance for vendors to aggregate demand for interventions so as to economize on scale and increases the chances of replication. The preparation of IGDPRs will be managed by SIDBI and overall technical and policy guidance will be provided by BEE (under Component 3).

Component 2.2: Performance Linked Grant: This sub-component as designed under the parent project is envisaged to encourage early adopters of EE investments in the new MSME clusters and will not be scaled up with additional funds. The performance linked grant is designed to be disbursed through a conditional cash transfer mechanism as an additional financial incentive for actual achievement of energy savings from implemented EE measures to encourage the demonstration effect for early adopters in the new project clusters. Utilization of balance funds under component 2.2 will be continued.

Component 2.3: Support Revolving Fund (RF) for facilitating EE investments (total US\$ 27.30, from which US\$ 2.50m GEF). In addition, the EE investment opportunities are expected to be further enhanced by extending loan support through an existing RF managed by SIDBI. Currently the RF size is US\$ 3 million, which will be increased to US\$ 5.5 million by allocating an additional US\$ 2.5 million. Using the successful model and guidelines established under the FEEMP, the fund will provide 25% of the loan amount required for EE proposals at no interest, 65% will be lent on commercial terms by SIDBI, and the rest 10% will be unit's own contribution.

RF will be used as a tool to incentivize and encourage MSMEs to implement the measures recommended in the energy audit reports. RF will: (a) facilitate effective marketing strategy to attract MSME units with easy to understand terminology; (b) sensitize the units about the incentives provided as well as expected energy efficiency improvement, coupled with monitoring and verification of results; (c) monitor planned incentives for the MSMEs through RF by subjecting the achievements of the recommended energy efficiency (EE) improvement measures identified through detailed energy audits; and (d) improve visibility of implementation of EE measures sharing the results for demonstration and replication benefits.

Component 3: Knowledge Management (total US\$ 0.99m, from which US\$ 0.89m GEF). This component managed by BEE would facilitate consolidation of the knowledge generated while implementing the IGDPRs. BEE as part of technical advice to SIDBI, will continue to implement ongoing knowledge management activities. The activities will include - identifying advanced technologies and if necessary, customize, facilitate and demonstrate such technologies for better penetration (including scaled down technologies, which are proven in large scale units, but, not available for MSME scale of operations). In addition, BEE will establish key EE performance indicators for at least one or two segments of MSME manufacturing (e.g. consumer appliances or pumps, etc.) which could bring about a long term transformative change in demand-side EE. Such efforts would also help streamline mitigation strategies and goals, with improved ability to track the progress of implementation, especially in the context of MSME sector strategies highlighted in India's INDC. This component would also focus on skills development initiatives, including knowledge basis for setting up equipment testing/operation and maintenance facilities involving Original Equipment Manufacturers (OEM), industry associations, and other stakeholders.

Component 4: Project Management and Coordination (total US\$ 0.4m from GEF). This component would provide resources for project management and coordination across the components and with the various MSMEs.

The summary of total project costs from all financing sources for current and proposed costs includes the following:

Component 1: Total proposed is US\$ 3,249,242, from which current cost is US\$ 2,499,242  
 Component 2: Total proposed is US\$ 81,717,896 from which current cost is US\$ 53,667,896  
 Component 3: Total proposed is US\$ 3,249,242, from which current cost is US\$ 2,499,242  
 Component 4: Total proposed is US\$ 1,061,162 from which current cost is US\$ 661,162

The component level project costs utilizing GEF grant is presented in the table below

<b>Current Component Name</b>	<b>Proposed Component Name</b>	<b>Current Cost (US\$M)</b>	<b>Proposed Cost (US\$M)</b>	<b>Action</b>
Component 1: Activities to Build Capacity and Awareness for energy efficiency	Component 1: Activities to Build Capacity and Awareness for energy efficiency	2,259,410.00	2,909,410.00	Revised
Component 2: Activities to Increase Investment in EE	Component 2: Activities to Increase Investment in EE	7,667,896.00	10,917,896.00	Revised
Component 3: Program Knowledge Management:	Component 3: Program Knowledge Management	735,000.00	1,625,000.00	Revised
Component 4: Project Management	Component 4: Project Management	637,694.00	1,037,694.00	Revised
	<b>Total:</b>	<b>11,300,000.00</b>	<b>16,490,000.00</b>	

#### **Change in Implementation Schedule**

Explanation:

The parent project components and the nature of activities will continue in the proposed AF project. The scope of the sub-component level activities are revised to ensure replication and scaling up of achievements under the parent project. The proposed activities will be completed in 30 months. Accordingly, the closing dates of TF010422 and TF097126 will be extended to May 4, 2019.

#### **Other Change(s)**

Explanation:

The conditions related to the payment of Sub-Grants and to the concessional portion of the EEI loans are proposed to be revised for ease of implementation, in line with the updated project operations manual of SIDBI. The Sub-Grants will consist of a one-time cash payment of up to one million Indian Rupees or up to 20% of capital expenditures, whichever is lower, and the maximum amount of the concessional portion of the EEI Loan is reflected in the Grant Agreement in Indian Rupees.

### **IV. Appraisal Summary**

#### **Economic and Financial Analysis**

Explanation:

Project will support MSME renovation and rehabilitation projects whose primary financial benefits will be

derived from energy savings. In a few cases, process changes may be a more cost-effective solution, which shall also be eligible for support under the project. Analysis shows that the majority of EE investments identified in energy audit reports are financially justified, especially at current energy prices which are expected to prevail or increase in the medium-term. As coal, fuel oil or primarily coal-based grid power are the dominant energy sources for the target industry units, the economic justification for energy efficiency investment is even stronger because of the significant environmental benefits expected from EE investments, resulting in Economic Internal Rates of Return (EIRRs) that are higher than the Estimated Financial Internal Rates of Return (FIRRs).

Analysis of the results from 600 MSME EE Investments (EIs) under the parent project reveal that such investments routinely achieve FIRRs of 25-30% and above. Simple payback periods range from 2 months for low-cost measures to 2 years for more capital-intensive interventions confirming that EEI projects as economically viable for an individual enterprise. Beyond the quantifiable benefits associated with the above financial analysis, there are non-quantified benefits notably reduction of local pollution, better occupational health and safety, improvement in MSME's product quality, improvement of FIs and banks' asset quality, and improved energy security.

The project will remove barriers to implementing an increased number of locally financed EE investments by MSMEs. It is expected that in the absence of this project, some EE investments in the target clusters will be made as part of production expansion and modernization. However, such efforts would not focus on EE improvements and the results may not achieve the desired efficiencies. It is estimated that the aggregate value of direct investments due to the project interventions will be in the order of US\$ 10 million and followed by replicable investments of about US\$ 25 million. The implementation of the project will also improve the willingness of financial institutions to provide EE financing to MSME clients and thus will further raise EE investment levels over the baseline case.

### **Technical Analysis**

#### **Explanation:**

The project technical design remains the same as in the parent project and good project performance over the past five years has demonstrated that the technical design is appropriate. The MSME sector requirements, continued efforts of BEE and SIDBI to increase demand for energy efficiency in MSME sector, and the objectives of the proposed additional financing justify maintaining the current project design. The project structure furthers both scaling up awareness creation and building market for EE at MSMEs apart from promoting financing of EE widely. It is expected that the additional financing efforts will increase the demand for EE investments in target MSME clusters and will build their capacity to access commercial finance

The potential energy savings in the proposed five MSME sectors are assessed based on the information sourced from the parent project implementation; technology studies conducted under BEE's SME programs; meetings, and field level interaction with SME units, and industry associations. The assessments reflect that energy savings could range from 12% to 22% respectively for low/medium and high EE investment options and also depending on type of SME sector. Considering the availability of RF for implementation, the average energy savings have been targeted up to 20%. Assessment of ERs from the project intervention has been carried out using the usual GEF assumptions for estimating EE savings and

CO <sub>2</sub> benefits. Annex 2 presents the results framework.  Energy audit experts will be involved in identifying customized EE measures in MSME units and preparing IG DPRs, ensuring that investments will be properly scoped, technically feasible and that the design of the projects will be technically sound.
<b>Social Analysis</b>
Explanation: No Changes - As in case of parent project, no safeguard policies relating to social safeguards are triggered

<b>Environmental Analysis</b>
Explanation: The safeguards management mechanisms for the parent project have been found to be satisfactory. As in the parent project, the agreed Environmental Risk Management Framework shall continue to apply for the additional financing. The project is classified as Category B.  The additional finance raises no new environmental safeguards issues nor triggers any new environmental safeguard policies. The new industrial sectors proposed under additional financing have already been covered as part of the existing environmental management framework approach under the parent project.
<b>Risk</b>
Explanation: No Change

***Fiduciary***

13. Financial Management The project will be implemented by BEE and SIDBI using approximately 15 consultancy packages. The overall FM arrangements at these entities have been recorded as satisfactory under the parent project. The existing systems are judged to be adequate, to account for and report on the project resources and expenditures accurately. The Bank team has assessed FM arrangements at BEE and SIDBI, and reached agreement on actions to be taken to further strengthen FM arrangements under the parent project, which have been fully complied with. Currently, both the PMUs at BEE and SIDBI have experienced staff to implement FM procedures. Annex 3 provides the FM details.

14. As per the systems established under the parent project, disbursements will be made by the Bank on the basis of separate quarterly Interim Unaudited Financial Reports (IUFRs) following pre-agreed formats. In addition, to entity level audit report for BEE, the two agencies will also submit audited project financial statements which will report contractual progress and provide assurances on the usage of the proceeds under the project. The statutory auditors of BEE and SIDBI will be responsible for audit of project financial statements. The internal audit arrangements at SIDBI and BEE are adequate.

15. Revolving Fund: Under parent project RF was established under TF010422 SIDBI sub-component (2.3). The revolving fund will disburse loans to eligible entrepreneurs to implement high value EE measures. Of the total investment required, up to 20-25% would be met out of the GEF fund at zero interest; up to 70-65% of the investment would be contributed by SIDBI at prevalent commercial rate of interest. SIDBI will

ensure that all lending operations of the revolving fund will be in accordance with the relevant regulations of the Reserve Bank of India (RBI).

16. While no separate bank accounts for counterpart and GEF funds are proposed, the dedicated ledger account will record all RF transactions including principal repayment, recoveries, penal interest and other incomes, if any, and report to the Bank through suitably designed quarterly IUFs. The disbursement method applicable to the RF (GEF) would be forecast based advance through quarterly IUFs. The period of forecast would be a quarter. The advance would flow into SIDBI's bank account (general pool account). Counterpart funds would be provided by SIDBI at the time of releasing the loan to the borrower. All funds flow under the project would be reflected in the dedicated RF ledger account as mentioned under 'proposed operations of the revolving fund'. Annex 3 provides the FM details.

17. Procurement for the project will be carried out in accordance with the World Bank's "Guidelines: Procurement of goods, works and non-consulting services under IBRD loans and IDA credits & grants by World Bank borrowers" dated January 2011 as updated in July 2014 ("Procurement Guidelines") and "Guidelines: Selection and employment of consultants under IBRD loans and IDA credits & grants by World Bank borrowers" dated January 2011 as updated in July 2014 "(Consultant Guidelines)" and the additional provisions mentioned in the legal agreement.

18. The implementation arrangements under the proposed additional financing would remain the same as for the parent project by BEE and SIDBI. The major procurement under the Additional Financing will be the procurement of consultants. Many of the officials of SIDBI and BEE were also involved in parent project and they are well conversant with World Bank procurement procedure. Capacity of BEE and SIDBI to implement the procurement arrangements is adequate and the systems have been well established under the parent project. The draft procurement plan for procurement to be taken up during the first 18 months of project implementation has been prepared and is enclosed as Annex 4.

#### ***Policy Exceptions and Readiness***

19. The project requires no policy exceptions. Assessments and preparation of fiduciary arrangements, staff selection, monitoring and evaluations systems, and implementation and procurement plans have been finalized and meet the regional criteria for readiness of implementation.

#### **V. World Bank Grievance Redress**

20. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit [www.worldbank.org/grs](http://www.worldbank.org/grs). For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Proposed Components and Cost Break-up for Additional Financing

Component Name	Cost (million US\$)				Activities
	BEE	SIDBI	Total	Co-Fin.	
<b>Component 1:</b> Activities to Build Capacity, Awareness, and EE Market	0.35	0.3	0.65	0.1 <sup>1</sup>	<ul style="list-style-type: none"> <li>Facilitate B 2 B (e.g. MSMEs to Technology providers/vendors) linkages for replication of successful technologies in homogenous clusters</li> <li>Awareness on EE benchmarking for a segment of MSMEs (e.g. consumer appliances, pumps, etc.)</li> <li>Enabling EE assessment mechanisms such cluster level testing facilities, association of EE practitioners, etc.</li> </ul>
<b>Component 2:</b> Activities to Increase Investment in EE: 2.1. TA for preparing EE investment proposals		0.75	3.25	24.8 <sup>2</sup>	<ul style="list-style-type: none"> <li>Activities to increase EE investments for about 4-5 categories of MSMEs spread in different geographical clusters (different from those already covered by the Financing MSME project)</li> <li>EE demand aggregation through approx. 200 technology-based and/or EE benchmark based IGDPs which will support EE measures at homogeneous clusters (e.g., consumer appliances, pharmaceuticals, agro based/food processing industries, pulp and paper, ceramics, etc.).</li> </ul>
2.2. <i>Performance Linked Grant</i>	Additional financing is not proposed for this component. However, the parent project will continue to implement this sub-component with the available funds under component 2.2.				
2.3 Revolving Fund (RF) for facilitating EE investments		2.50			<ul style="list-style-type: none"> <li>Additional funds allocated alongside the MSME Revolving Fund to facilitate better availability of financing at concessional rate.</li> </ul>
<b>Component 3:</b> Program Knowledge Management:	0.89		0.89	0.1 <sup>3</sup>	<ul style="list-style-type: none"> <li>Facilitate EE benchmarking in one or two segments of MSME manufacturing (e.g. consumer appliances, pumps, etc.) which could bring about a long term transformative change in demand side for EE.</li> <li>Demonstration of scaled down EE technologies and facilitate skill development initiatives for stakeholders</li> </ul>
<b>Component 4:</b> Project Management and Coordination	0.18	0.22	0.4		<ul style="list-style-type: none"> <li>Timely project implementation and monitoring</li> </ul>
<b>Total</b>	<b>1.42</b>	<b>3.77</b>	<b>5.19</b>	<b>25.00</b>	

<sup>1</sup> Co-financing will be mobilized from SIDBI as part of their corporate funds for promotion and development of EE products; the figure is a very conservative estimate.

<sup>2</sup> In addition to the project's revolving fund, SIDBI will lend an estimated US\$ 6.5 million on commercial terms and another US\$ 1 million will be equity contribution from the MSME unit. MSMEs are further expected to raise finances from the market to the tune of about US\$ 18.5 - 25 million in the short, medium and long term in the form of potential investments within the clusters and replicable investments on a larger scale. The co-financing estimates considered a conservative estimate of US\$ 18.5 million debt financing in the form of loans, with the reinvestment of revolving fund for at least two cycles of 5 years each. These estimates are proportionately comparable with the FEEMP, where about US\$ 38 million is expected from replication of measures implemented in 500 units. This effort will also further strengthen related initiatives under SIDBI, including a US\$ 500 million World Bank line of credit for *India: MSME Growth Innovation and Inclusive Finance Project*.

<sup>3</sup> BEE will mobilize finances from its budgetary resources for demonstration of about 5-6 demonstrable technologies in the project clusters; the figure is a very conservative estimate.

## Annex 2: Results Framework and Monitoring

### A1. Results

The table below presents the agreed results for the parent project and the proposed additional results expected to be achieved by deployment of additional financing. The assessment of carbon reductions for estimating the EE savings and CO<sub>2</sub> benefits is presented under section A2, and A3 of this Annex.

S.N.	Outcome Indicator	Parent Project Target	Proposed AF Target	Total	Data collection and Reporting Requirements
PDO: To increase demand for energy efficiency investments in target micro, small and medium enterprise clusters and to build their capacity to access commercial finance.					
<b>PDO Indicators</b>					
1.	Number of IG DPRs prepared ( <i>No.</i> )	500	230	730	SIDBI to prepare quarterly progress reports
2.	Aggregate value of direct EEIs from the project ( <i>INR million</i> )	970	690	1660	SIDBI on Quarterly with 100% independent M&V on half yearly
3.	Estimated replicable EEIs ( <i>INR million</i> )	2520	1380	3900	SIDBI – Quarterly with 100% independent M&V on half yearly
4.	Cumulative and estimated lifetime Carbon ERs through direct investments ( <i>million tons of CO<sub>2</sub></i> )	1.5	1.05	2.55	SIDBI on Quarterly + 100% independent M&V on half yearly basis
5.	Potential cumulative lifetime Carbon ERs ( <i>million tons of CO<sub>2</sub></i> )	3.6	3.00	6.60	Independent monitoring and evaluation – BEE jointly with SIDBI to facilitate
<b>Intermediate Indicators</b>					
1.1	Number of participants from MSME units reached through outreach/marketing ( <i>No.</i> )	1300	500	1800	BEE and SIDBI joint quarterly monitoring reports. In addition, the results achieved will be reviewed by the GEF empowered committee chaired by the Secretary, MoEFCC.
1.2	Number of Energy Auditors Trained ( <i>No.</i> )	500	200	700	
2.1	Number of units implemented ISO 50001 ( <i>No.</i> )	Nil	40	40	
3.1	EE Knowledge Products generated and disseminated ( <i>Yes/No</i> )	Yes	Yes	Yes	
	➤ EE Demonstration videos	Yes	6	6	
	➤ B2B Vendor Interfacing (Technology Exhibitions)	14	5	19	
	➤ EC Award	Nil	140	140	
	On job training for shop floor employees	Nil	150	150	



## **A2. Estimated Energy Savings in Proposed Project Sectors**

Estimated energy savings is arrived through field level discussions and unit level quick walk throughs; information sourced from FEEMP implementation; and technology studies conducted under BEE's SME programs such as BEE-SME cluster manuals, Small Medium Enterprises Energy Efficiency Knowledge Sharing Platform (SAMEEKSHA). The percentage energy saving potential is presented under two scenarios, the first scenario presents implementation of low and medium cost EE interventions and the optimistic scenario presents high cost measures with greater energy savings. While estimating the emission reductions due to the project interventions, a combination of these measures is considered with the assumption that 70% of enterprises implement the low/medium cost measures and 30% implement the high cost measures.

S. No.	Cluster	Avg. Energy Consumption (toe)/year/Unit	Targeted MSMEs	Total Energy consumption of targeted MSMEs (toe/Yr)	Energy Savings Potential from targeted MSMEs (toe/Yr)				Source
					Average scenario	%	Optimistic Scenario	%	
1	Ceramic	2455	70	171850	20622	12%	37807	22%	Cluster Profile Reports-SAMEEKSHA
2	Pulp & Paper	925	30	27750	4162	15%	6937	25%	BEE_SME Cluster Manuals-Muzaffarnagar Cluster
3	Agro based Industries	71	25	1775	266	15%	444	25%	Field visits and quick walk through assessments at Kundli
4	Food Processing	528	30	15840	1584	10%	3168	20%	FEEMP-Mumbai-Thane Mixed Cluster
5	Pharmaceuticals	135	75	10125	1215	12%	2025	20%	FEEMP - Ankleshwar Chemical Cluster
	<b>Total</b>		<b>230</b>	<b>227340</b>	<b>27667</b>	<b>12%</b>	<b>49901</b>	<b>22%</b>	

### **A3. Estimated Emission Reductions**

The estimated emission reductions are presented below along with the assumptions used

- Length of Analysis Period (Years after Project Close) :15 Years
- Maximum Technology / Measure Lifetime (Years) :15
- Grid Electricity Emissions (tCO<sub>2</sub>/MWh) :0.82 (Source – Central Electricity Authority)
- Grid Electricity T&D Loss Rate (%) :22.92 % (Source-Central Electricity Authority)
- Useful Lifetime of Investment : 15 Years
- Percent of Activities Implemented in the Baseline (no intervention scenario): 10%
- Number of Replications Post-project as Spillover utilizing RF : 2

**Table: Investment Scenarios depending on penetration rate**

	Ceramic Cluster	Pulp and Paper Industries	Pharmaceutical Industries	Agro based Industries	Food Processing	Investment Scenarios depending on penetration rate		
						100%	50%	15%
Number of units	70	30	75	25	30	230	115	35
Total Investment (Rs mill)	252	122	108	61	52	595	298	90
<b>Energy and Monetary Savings</b>								
Electrical Savings (MWh/Yr)	26831	39983	3430	2475	5181	77900	38950	11685
Natural Gas Savings (SCM/Yr)	19274904	0	1395692	0	0	20670596	10335298	3100589
Coal Savings (MT/Yr)	19676	3336	556	0	3583	20748496	10374248	3112274
Diesel Savings (Ltrs/Yr)	0	0	9321	100176	0	109497	54748.5	16425
Monetary savings (Rs. Million)	228	141	60	22	23	474	237	72
<b>GHG Emissions Avoided</b>								
Direct GHG Avoided during the project period(tCo2/) – 2016-17	108027	45950	6872	2799	11966	175614	87807	26342
Direct GHG Avoided after project period(tCo2/) 2018-32	751281	321647	47790	19591	83760	1224069	612035	183610
GHG Avoided due to Post-Project re-investment of Revolving Fund 2018-32 (tCO2)	1351262	578045	85955	35208	150528	2200998	1100499	330150
Indirect bottom-up savings (tCO2/Life time)	954,787	408440	60735	24878	106362	1555202	777601	233280
Total GHG avoided (tCo2/life time)	3165356	1354082	201351	82474	352616	5155879	2577940	773382



#### A4. Results Framework

Project Name:	Additional Financing for Financing Energy Efficiency at MSMEs Project (P158033)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Sita Ramakrishna Addepalli	Requesting Unit:	SACIN	Created by:	Sita Ramakrishna Addepalli on 24-Dec-2015
Product Line:	Global Environment Project	Responsible Unit:	GENDR	Modified by:	Sita Ramakrishna Addepalli on 20-Sep-2016
Country:	India	Approval FY:	2017		
Region:	SOUTH ASIA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P100530	Parent Project Name:	INDIA - Financing Energy Efficiency at SMEs (P100530)		

#### Global Environmental Objectives

Original Project Development Objective - Parent:

To increase demand for energy efficiency investments in target micro, small and medium enterprise clusters and to build their capacity to access commercial finance. The Project Development Objective supports the global environmental agenda of stabilizing atmospheric concentrations of greenhouse gases (GHG) through an increase in Energy Efficiency investments and resulting energy savings.

#### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

#### Global Environmental Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Carbon reductions	<input type="checkbox"/>	Text	Value	0	~ 1.3 Mil. Life Time ERs (from total committed EEIs by MSMEs).	2.55 Million lifetime ERs
				Date	29-Sep-2010	16-May-2016	04-May-2019
				Comment			
Revised	Estimated Potential and Replicable	<input type="checkbox"/>	Text	Value	0	Assessment results	6.6 Million

	Carbon Reductions		Sub Type Supplemental			as on date reflect 3.6 million Lifetime ERs.	Lifetime ERs
New	Estimated Replicable EE Investments (INR Million)	<input type="checkbox"/>	Text	Value	0.00	INR 1200 million	INR 3900 million
				Date	29-Sep-2010	16-May-2016	04-May-2019
				Comment		Estimated	
Revised	Aggregate Value of Direct Energy Efficiency Investments (INR Million)	<input type="checkbox"/>	Text	Value	0	INR 633 million (achieved)INR 173 million (ongoing)	INR 1660 million
				Date	29-Sep-2010	16-May-2016	04-May-2019
				Comment		Monitored and Verified	
Revised	Number of Investment Grade Detailed Project Reports Prepared (Nos.)	<input type="checkbox"/>	Number	Value	0.00	600.00	730.00
				Date	29-Sep-2010	16-May-2016	04-May-2019
				Comment			

### Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Energy Efficiency Outreach	<input type="checkbox"/>	Number	Value	0.00	3150.00	2800.00
				Date	29-Sep-2010	16-May-2016	30-Dec-2016
				Comment		Target Achieved	
Revised	MSME Entrepreneurs - Outreach	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	1300.00	1800.00
				Date	29-Sep-2010	16-May-2016	04-May-2019
				Comment			
Revised	Energy Auditors Training	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	500.00	700.00
				Date	29-Sep-2010	16-May-2016	04-May-2019
				Comment			
New	Number of units implemented ISO 50001 (No.)	<input type="checkbox"/>	Number	Value			40.00
				Date			04-May-2019

				Comment			
Revised	Knowledge Products Generated and Disseminated	<input type="checkbox"/>	Text	Value	0	Several Knowledge Products Generated	No target specified
				Date	31-May-2010	16-May-2016	04-May-2019
				Comment			
New	Energy Efficiency Demonstration Videos	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00		6.00
New	B 2 B Vendor Interfacing	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00		19.00
New	Energy Conservation Awards	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00		140.00
New	On job EE Training	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00		150.00

## **Annex 3: Financial Management and Disbursement Arrangement**

The following FM Assessment has been prepared to account for separate funds flow and Grant Agreement for the two implementing agencies – BEE and SIDBI.

### **I. Introduction:**

The objective of the **Programmatic Framework for EE – MSMEs – P158033** Additional finance will remain the same as the parent project **INDIA - Financing Energy Efficiency at SMEs-P100530**. While the existing project components and the nature of activities will remain, their scope has been revised to ensure replication and scaling up of achievements under the parent project.

The project will be implemented by Bureau of Energy Efficiency (BEE) and Small Industries Development Bank of India (SIDBI).

### **II. The Implementing Entities**

This project will be implemented by following two entities:

#### ***Bureau of Energy Efficiency(BEE):***

BEE is a Statutory body set up by Government of India on 1st March 2002 under the provisions of the Energy Conservation Act, 2001. The mission of the Bureau of Energy Efficiency is to assist in developing policies and strategies with a thrust on self-regulation and market principles, within the overall framework of the Energy Conservation Act, 2001 with the primary objective of reducing energy intensity of the Indian economy.

#### ***Small Industries Development Bank of India (SIDBI):***

Established on April 2<sup>nd</sup> 1990, SIDBI is the Principal Development Financial Institution for promotion, financing and development of industries in the small scale sector who also coordinates the functions of other institutions engaged in similar activities. SIDBI is already involved in execution of Bank funded SME financing and development project and additional financing for this effort.

### **III. Implementation Arrangements**

#### ***BEE & SIDBI***

Existing project management unit (PMU) under parent project will be responsible for the implementation of the project components for which BEE and SIDBI is responsible.

### **IV. Financial Reporting and Monitoring**

The reporting framework for the project will include two quarterly financial monitoring reports (*called IUFs or interim unaudited financial reports*) prepared by BEE and SIDBI, in a format which would give up-to-date details on the project expenditure incurred along with projection in respect of funds utilization in the coming two quarters, distinguishing the requirement in respect of various project components. The project expenditure figures will include GEF grant funded activities and the co-financing by BEE and SIDBI. Any interest earned on the designated account funds shall also be reported in the IUF. BEE and SIDBI have adequate FM systems and



capacity to prepare these IUFRRs, which will be prepared (on cash basis with separate details of accrued expenditure) for the project every quarter and forward it to the Bank within 45 days of the end of the quarter.

IUFRRs will be prepared from information generated from BEE' and SIDBI's mainstream FM and MIS systems. These IUFRRs then would be submitted by BEE and SIDBI to IBRD. The annual project financial statements, which would be similar to the format of the quarterly IUFRRs, would also be submitted under the project.

## **V. Accounting Policies and Procedures**

### *BEE*

Energy Conservation Act 2001, chapter VII mentions the FINANCE, ACCOUNTS AND AUDIT OF BUREAU (BEE). As per para 25 (1) of the Act, "*The Bureau shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.*" Annual statement of accounts prepared by BEE include balance sheet, income and expenditure account and receipts and payment account in the prescribed format on accrual basis.

### *SIDBI*

The formats of balance sheet and the profit and loss accounts of SIDBI are prescribed by the SIDBI Regulations, issued under the SIDBI Act. SIDBI has implemented accrual system of accounting and is required to follow the accounting standards as issued by the Institute of Chartered Accountants of India mandated under clause No. 23 of the listing agreement that SIDBI has signed.

All project costs and expenditures will be paid for and recorded in the books of SIDBI and BEE as per the established policies and procedures using their existing accounting software. To facilitate quarterly reporting and to identify project related transactions, it is recommended that SIDBI and BEE create a separate code or tag within their existing software.

## **VI. Budgeting and fund flow**

### **Budgeting**

#### *BEE*

BEE prepares its budget on cash basis as per GFR. BEE prepares two types of budgets (a) for the MoP schemes implemented by BEE (the figures for these schemes for 11th 5 year plan are available) (b) administrative budget of BEE. The following year budgets are prepared during October / November of current year and during the same time the revised estimates are issued for the current year. These budgets are approved by Executive committee. Monitoring of these budgets is done on quarterly basis and a report comparing budget vs. actual figures is submitted to Executive committee. To get details on the project level budget for the Bank funded activities, new codes as needed will be created by BEE.

#### *SIDBI*

At SIDBI, the budgeting process begins with breaking down of broad groups of project components into different heads / activities. These are further broken into sub activities / tasks. Costs are allocated to these activities within overall budget ceilings on the basis of previous

experience / market check. Contracts are issued, wherever applicable, with definite timelines and payments linked to outputs / achievements of the milestones etc. The activities are drawn on a time scale with proportionate costs allocated for each activity. This provides quarterly / half yearly and annual budget of expenditures. Invoices received from the respective agencies are checked for the milestone achieved as per the signed agreement. Budgets are redrawn every quarter to record the expenditure made against the projections and to look into the reasons for variations in the utilization, if any. If required, future projections are revised to portray accurate position of future utilization. The budget charts are reported to delegated authorities on quarterly basis for reviewing and monitoring purposes. The established budgeting process will be used by SIDBI to monitor budget for this project.

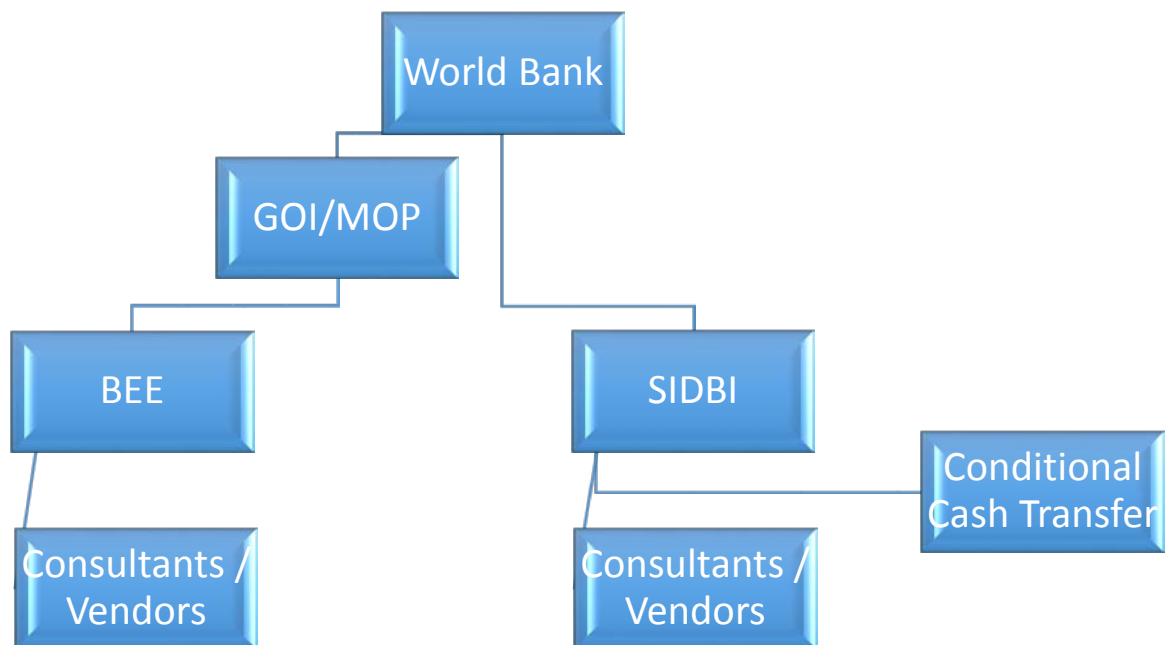
**VII.Funds Flow:**

*BEE*

Since BEE is a statutory body under Ministry of Power, the Project funds will flow from the World Bank to GOI. In line with normal practices, an appropriate budgetary line item will be established by MoF to record external aid (GEF) and on the expenditure side, within MoP’s budget a budget line allocation will be made available to BEE. Similarly, a Designated Account will be opened by CAAA at RBI wherein funds will be disbursed by the World Bank. GOI / MoP will pass on these funds on a timely basis to ensure quick and speedy implementation of the project into separate bank account of BEE for the receipts and expenditure for the project.

*SIDBI*

The Grant Agreement shall be between the Bank and SIDBI, and hence GEF funds would flow directly to a separate bank account designated by SIDBI for this project for receiving disbursement from the World Bank. SIDBI will request funds based on IUFRRs along with a withdrawal application.



## **VIII. Policy and Manuals**

### *BEE*

The Energy Conservation Act of 2001 and the subsequent rules issued under the Act provide details of the establishment and operation of BEE. Although BEE complies with provisions of Energy Conservation Act 2001, and the related rules, Government Finance Rules and any other reporting requirements of Ministry of Power, Bank recommends that BEE should document the applicable provisions and fill in the gaps (if any) in the form of Finance manuals.

Operation Manual (OM): BEE has prepared an operation manual for the project. Amongst other details, the manual clearly details how the project will be implemented and the staff responsible for the activities specified.

### *SIDBI*

The operational framework of SIDBI is captured in the various policy documents and manuals which are revised from time to time to capture the evolving needs of the business and also to meet the regulatory framework, including RBI guidelines as applicable to the Financial Institution. The Business and Accounting Procedure Manual (BAPM) is hosted on the intranet to facilitate usage. The internal audit manual lays down the procedures for conducting and reporting on internal audit of various departments and the follow up procedures thereafter. Some of these manuals are currently under revision to capture the evolving business needs of the corporation. The existing operations manual for the parent project will continue to be used.

## **IX. Audit Arrangements and Alternate Assurance**

### **External audit**

#### *BEE*

*The annual* audit of the Project Financial Statements (PFS) would be carried out by the Comptroller and Auditor General of India (CAG). The PFS is an agreed format will be subject to audit by the CAG under terms of reference already agreed between the Bank and the CAG for bank funded projects. All supporting records and documents under the project would be subject to this audit. The PFS will summarize all receipts and expenditures reported in the IUFRR. The Annual Audit report would consist of (i) annual audited project financial statements (ii) audit opinion and (iii) management letter highlighting weaknesses, if any and identifying areas for improvement.

#### *SIDBI*

SIDBI's statutory auditor is appointed at the Annual General Meeting (AGM) of its shareholders under Section 30(1) of the SIDBI Act 1989 (as amended in 2000). The auditor is selected by the Reserve Bank of India (RBI) and approved by SIDBI's Board. It is proposed that the project will be audited by an independent auditor acceptable under the ToR agreed with the Bank.

The annual audit report of the project financial statements for both agencies would separately identify each component under the project, its progress and the funding sources for each of the components. The Annual report including the audited accounts will be submitted to the Bank

within 9 months from the end of financial year by BEE and SIDBI separately. Any difference between the expenditure reported in the IUFs and those reported in the annual project audit reports will be analyzed and those expenditure which are confirmed by the bank as being not eligible for funding would be adjusted in the subsequent disbursements.

The audit of the project accounts would also include an assessment of (a) the adequacy of the accounting and internal control systems, (b) the ability to maintain adequate documentation for transactions and (c) the eligibility of incurred expenditures for Bank financing.

The following audit reports will be monitored in Audit Reports Compliance System (ARCS):

Agency	Audit Report	Audited by	Due Date
BEE	Project audit (including audit of IUFs submitted for disbursement)	CAG	31 <sup>st</sup> December
BEE	Designated Account maintained by RBI	CAG	31 <sup>st</sup> December
SIDBI	Project audit (including audit of special Account and the IUFs submitted for disbursement)	Statutory Auditors	31 <sup>st</sup> December

**Alternate Assurance for quantifying financing from private sources :** (non GEF funded) For Project Component 2, Private Sector finance mobilized by SME units for adoption of energy efficiency technologies, an assurance on indicator reports provided by industry associations on total finance mobilized by participating units will be obtained through retention of an independent technical consultant following an agreed ToR or bundled into other project M&V tasks. The independent consultant will take a reasonable sample to verify the actual investment made by SME units and provide a report on the above.

## **X. Internal control**

### *BEE*

As per EC Act of 2001, general superintendence, direction and management of the affairs of BEE vest in Governing Council (appointed by central government; maximum 26 members). In addition to the heads of various government organizations, the council includes representatives of CII, equipment and appliances manufacturers, architects and consumers. A sub-committee called Executive Committee, comprising members from the Governing Council manages responsibilities as delegated by the Governing Council.

### *SIDBI*

SIDBI's internal control framework is considered adequate for a financial corporation of its size. The internal control framework includes an audit committee constituted by three independent members of the board. The audit committee of the board provides direction and oversees the working of the internal audit and interacts with the statutory auditors during the year to resolve any issues and take corrective action on systemic issues brought to its notice.

### **Internal audit department:**

### *BEE*

Internal audit at BEE is carried out by a Chartered Accountant (CA) firm. The CA firm is single sourced by BEE. The CA firm issues quarterly and annual reports. These reports are reviewed and responded to by the Secretary- BEE and the Finance and Accounts officer of the BEE.

### *SIDBI*

Internal Audit in SIDBI is an independent appraisal function established within the organization to examine and evaluate the performance and function of Zonal/ Regional / Branch Offices as also various Departments at Head Office. Internal audit department reports directly to ED/DMD / Audit Committee of the Board and plays a significant role in evaluating the effectiveness of the SIDBI's internal control systems. The basic objective of audit is to identify weak areas of operations, catalyze timely corrective steps and improve upon the systems and procedures. Various kinds of audits being carried out in SIDBI are (a) Management Audit: which covers areas of human resources, business development and analysis of portfolio from a larger perspective, and (b) Operational Audit: which is an independent, objective, systematic and continuous evaluation of internal controls in the form of various policies, procedures, systems and activities with a view to provide an assurance to operating managers, senior management, and audit committee of Board that internal controls are commensurate with identified business risks and the organization's control environment. The other types of audits include Credit Audit by credit and legal officers and Concurrent audit. The internal audit department will also audit the project and its reports would be available to the Bank, on request.

### **Staffing**

**BEE & SIDBI:**

The Parent project PIU staff of both implementing agencies are familiar with financial management, adequately trained in Project Financial Management system and familiar with Bank financial management systems.

### **XI. Disbursement Arrangements**

The project will follow 'reimbursement' method of disbursement, i.e. project expenditures will be met by implementing agencies from their own resources and reimbursement from the Bank will be sought through submission of separate quarterly IUFs. Supporting documentation of actual project expenditure including bills/invoices, acknowledgement/proof of payment, completion reports, certificates and other documentation will be retained by the entities and made available to the Bank during project supervision missions. These documents will be subject to internal as well as annual project audit. The IUF will be submitted within 45 days from the end of the quarter.

**SIDBI Revolving Fund:** The disbursement method applicable to the revolving fund (GEF) would be forecast based advance through quarterly IUFs. The period of forecast would be a quarter. While no separate bank accounts for counterpart and GEF funds are proposed, the advance would flow into SIDBI's bank account (general pool account). Counterpart funds would be provided by SIDBI at the time of releasing the loan to the borrower. All funds flow under the project would be reflected in the dedicated revolving fund ledger account. This ledger account will record all RF transactions including principal repayment, recoveries, penal interest and other incomes if any and report to the Bank through suitably designed quarterly IUFs.

The RF will be suitably disclosed in SIDBI's Balance Sheet under Liabilities.

### **FM requirements**

Existing FM requirements pertaining to submission of quarterly IUFs, annual audited project financial statements and internal audit reports will continue and appropriately cover the operations of the RF.

The IUF for the RF will specifically report:

- I. Sources & Application of Funds: (i) advances from GEF, counterpart contributions, repayments of principal component, recoveries against bad loans, penalties, fines etc. (ii) disbursement of loans for eligible purposes; write off of bad loans (iii) fund balance.

- II. Quarterly Forecast: (i) forecast for loans disbursement during the quarter (ii) advance requirement (forecast less funds available in the RF).

Loans Schedule: list of individual loans, repayment history, loan quality, recoveries/write offs, etc.

**Disbursement categories for additional financing**

Category Schedule – BEE

Category No.	Category Description	Current amount in US\$	Additional Grant amount in US\$	Total Grant amount	% of Expenditures to be Financed (inclusive of Taxes)
1	Training and Services under Parts A4, A5, C and D1 of the Project	1,591,978	1,240,000	2,831,978	100%
2	Incremental Operating Cost under Parts A4, A5, C and D1 of the Project	143,022	180,000	323,022	100%
	<b>Total</b>	<b>1,735,000</b>	<b>1,420,000</b>	<b>3,155,000</b>	

Category Schedule – SIDBI

Category No.	Category Description	Current amount in US\$	Additional Grant amount in US\$	Total Grant amount	% of Expenditures to be Financed (inclusive of Taxes)
1	Training and Services under Parts A1, A2, A3, B1, B2 and D2 of the Project	5,570,328	1,050,000	6,620,328	100%
2	Sub-Grants for Sub-Projects under Part B.2 of the Project	500,000	0	500,000	100%
3	Incremental Operating Cost	494,672	220,000	714,672	100%
4	EEI Loans for Energy Efficiency Investments under Part B.3 of the Project	3,000,000	2,500,000	5,500,000	100% of the concessional portion of the EEI Loan to be financed out of the proceeds of the Grant
	<b>Total</b>	<b>9,565,000</b>	<b>3,770,000</b>	<b>13,335,000</b>	

Definition of Incremental Operating Cost incurred by India means the costs of fees for individual consultants hired as part of the PMU administrative staff, and the reasonable costs for operational travel of PMU staff and consultants, communication expenses, workshop/seminar and vehicle rental, but excluding the salaries of the Recipient's civil service. The definition of Incremental Operating Costs incurred by SIDBI means incremental costs of compensation of staff of the Recipient and consultants hired as PMU administrative staff, and the reasonable costs for Project-related operational travel, office rental, furnishings, utilities, office supplies, communication expenses, and audit costs for the purposes of Parts A1, A2, A3, B and D2 of the Project.

### **XIII. Web disclosure**

BEE and SIDBI are already hosting their annual entity audit reports on their respective website. The IUFRRs and the Project Financial Statements for the project will also be available on their website.

### **XIII. Adequacy of FM arrangements**

The overall existing parent project financial management arrangements are considered adequate to manage the additional financing grant fund.

## Annex 4: Procurement Plan

### I. General

#### 1. Project Information

Country : India

Borrower : India with BEE as implementing agency and SIDBI

Project Name : Programmatic Framework for Energy Efficiency – Additional Financing for Financing EE at MSMEs Project

Grant Nos. : TF97126 & TF10422

2. **Bank’s Approval Date of the Procurement Plan:** September 14, 2016.

3. **Date of General Procurement Notice:** June 03, 2016

4. **Period covered by this Procurement plan:** 18 months

5. **Risk Rating for the Implementing Agencies:** Low

### II. Goods and Non-consulting Services.

#### 1. (a) Procurement Methods

	Procurement Method	Threshold (US\$ Equivalent)
1	Open International (Goods)	Above 3 million
2	Open National (Goods)	Above 100,000 and up to 3 million (with NCB conditions) – as per para 3.3 and 3.4 of the Guidelines
3	Shopping (Goods)	Up to 100,000
4.	Open International (Non-consulting Services)	Above 1 million
5	Open National (Non-consulting Services)	Below 1 million
6	Direct Contract	As per para 3.7 of Guidelines

(b) **Prior Review Threshold:** Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

Sl. No.	Category	Prior Review Threshold (US\$ Equivalent)	Comments
1	Goods	Above US\$ 3.0 million	All Contracts
2	Non-consulting Services	Above US\$ 3.0 million	All Contracts
3	Direct Contracts (for Goods)	US\$ 100,000 and above	All Contracts

2. **Pre-qualification:** Bidders shall be pre-qualified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.



**3. Proposed Procedures for CDD Components (as per paragraph. 3.17 of the Guidelines):**  
Not applicable

**4. Reference to (if any) Project Operational/Procurement Manual:**

- Project Implementation Manual (OPERATING MANUAL, 2009-2014) – Released by BEE in February 2010
- Project Operational Manual – Released by SIDBI in April 2010 & Revised in December 2014

**5. NCB Provisions:**

- a) Only the model bidding documents for NCB agreed with the GOI Task Force (and as amended for time to time), shall be used for bidding;
- b) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper (or on a widely used website or electronic portal with free national and international access along with an abridged version of the said advertisement published in a widely circulated national daily inter-alia giving the website/electronic portal details from which the details of the invitation to bid can be downloaded), at least 30 days prior to the deadline for the submission of bids;
- c) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises or enterprises from any given State;
- d) Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder;
- e) Extension of bid validity shall not be allowed with reference to Contracts subject to Bank prior review without the prior concurrence of the Bank (i) for the first request for extension if it is longer than four weeks; and (ii) for all subsequent requests for extension irrespective of the period (such concurrence will be considered by Bank only in cases of Force Majeure and circumstances beyond the control of the Purchaser/Employer);
- f) Re-bidding shall not be carried out with reference to contracts subject to Bank prior review without the prior concurrence of the Bank. The system of rejecting bids outside a pre-determined margin or "bracket" of prices shall not be used in the project;
- g) Rate contracts entered into by Directorate General of Supplies and Disposals (DGS&D) will not be acceptable as a substitute for NCB procedures unless agreed with the Bank on case to case basis. Such contracts will be acceptable however for any procurement under the Shopping procedures;
- h) Two or three envelope system will not be used (except when using e-procurement system assessed and agreed by the Bank).

**6. Summary of the Procurement Packages planned during the first 18 months after project effectiveness (including those that are subject to retroactive financing and advanced procurement)**

Not Applicable for Goods during the first 18 months of the project.

### **III. Selection of Consultants**

#### **1. (a) Procurement Methods**

<b>Sl. No.</b>	<b>Procurement Method</b>	<b>Threshold (US\$ Equivalent)</b>
1	Selection based on Consultants' Qualifications / Least Cost Selection	Up to 300,000
2	Single-source Selection of consulting firms	As per para 3.9 – 3.11 of Guidelines
3	Selection of Individual Consultants/ Sole Source Procedures for the Selection of Individual Consultants	As per Section V of Guidelines
4	<b>Quality- and Cost-based Selection/</b> Quality-based Selection/ Selection under a Fixed Budget	For all other cases
5	i. International Shortlist ii. Shortlist may comprise national consultants only	Above US\$ 800,000 Up to US\$ 800,000

**(b) Prior Review Threshold:** Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

	<b>Selection Method</b>	<b>Prior Review Threshold (US\$ Equivalent)</b>	<b>Comments</b>
1.	Competitive Methods (Firms)	Above US\$ 2.0 million	All Contracts
2.	Single Source (Firms)	US\$ 100,000 and above	All Contracts
3.	Individual	Above US\$ 300,000	All Contracts

**2. Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost up to US\$ 800,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

**3. Any Other Special Selection Arrangements:** NA

**4. Consultancy Assignments with Selection Methods and Time Schedule**

Refer to attached Procurement Plans of BEE & SIDBI

#### **IV Other Requirements / Information (applicable for all procurements)**

- a) All the procurement under the project will be handled by BEE and SIDBI.
- b) Even for Post Review cases, the inputs of Bank on TORs will be obtained by SIDBI & BEE.
- c) The justifications for all contracts to be issued on the basis of LIB, single source, or direct contracting (except for contracts less than US\$ 100,000 in value) shall be subject to prior review.
- d) The above thresholds are for the initial 18-month implementation period. Based on the procurement performance of the project, these thresholds may be subsequently modified.

- e) The prior review thresholds will also be indicated in the procurement plan. The procurement plan will be subsequently updated annually (or at any other time, if required), and will reflect any change in prior review thresholds.
- f) The World Bank will carry out an annual ex-post procurement review falling below the prior review thresholds indicated above. To avoid any doubts, the Bank may conduct at any time Independent Procurement Reviews (IPRs) of all the contracts financed under the grant.
- g) The project will implement the Systematic Tracking of Exchanges in Procurement (STEP), a planning and tracking system which would provide data on procurement activities & establish benchmarks (Initial training on the operation of the STEP system has been provided to officials of BEE and SIDBI). The details of the procurement activities, prepared in the present procurement plan, would be transferred to the STEP system.
- h) No procurement of Works is envisaged by SIDBI or BEE.

**Annex 4: Proposed Procurement Plan - SIDBI - Additional Financing**

Package No.	Description	Estimated Budget (Mil. USD)	Estimated Budget (Mil. INR)	Method of Selection	TOR, Eol Notice Drafted	WB Approval on ToR	Publication of Eol Notice	No Objection of Bank for shortlisted and RFP document	Issue RFP to short listed consultants	Receipt of proposals and opening technical proposals	Evaluation of technical proposals and submission of report to the Bank	Bank's No Objection to technical evaluation report	Opening of financial proposals and financial evaluation	Bank's no objection to contract award recommendations	Contract Signed	Contract Completed
CSAF-1	Development of an online tool, its web hosting and maintenance	0.095	6.18	SSS	Completed	Completed	NA	NA	NA	17/Aug/16	NA	NA	NA	NA	30/Sep/16	30/Oct/18
CSAF-2	Energy Expert - I	0.093	6.01	Individual	Continuation of services of Shri Sachin Kr. Verma (Sr. Energy Expert) working under FEEMP											24/Jan/19
CSAF-3	Energy Expert - II	0.093	6.01	Individual	Continuation of services of Shri Amruth Sudheesh Mekala (Sr. Energy Expert) working under FEEMP											24/Jan/19
CSAF-4	Project Engineer - I	0.015	0.98	Individual	1/Aug/16	15/Aug/16	NA	29/Aug/16	NA	26/Sep/16	17/Oct/16	NA	NA	31/Oct/16	14/Nov/16	24/Jan/19
CSAF-5	Cluster Profiling	0.030	1.95	SSS	Completed	Completed	NA	NA	NA	30/Jun/16	NA	NA	NA	NA	29/Jul/16	3/Oct/16
CSAF-6	Project development activities in the cluster - I	0.225	14.63	QCBS / QBS	Completed	Completed	1/Sep/16	NA	11/Oct/16	1/Nov/16	1/Dec/16	NA	4/Dec/16	NA	15/Dec/16	20/Sep/18
CSAF-7	Project development activities in the cluster - II	0.225	14.63	QCBS / QBS	Completed	Completed	1/Sep/16	NA	11/Oct/16	1/Nov/16	1/Dec/16	NA	4/Dec/16	NA	15/Dec/16	20/Sep/18
CSAF-8	Project development activities in the cluster - III	0.225	14.63	QCBS / QBS	Completed	Completed	1/Sep/16	NA	11/Oct/16	1/Nov/16	1/Dec/16	NA	4/Dec/16	NA	15/Dec/16	20/Sep/18
CSAF-9	Project development activities in the cluster-IV	0.225	14.63	QCBS / QBS	Completed	Completed	1/Sep/16	NA	11/Oct/16	1/Nov/16	1/Dec/16	NA	4/Dec/16	NA	15/Dec/16	20/Sep/18
CSAF-10	Measurement & Verification (M&V) activities and procuring & installing Energy Meters in MSMEs for online monitoring of EE measures implemented	0.075	4.88	SSS / CQS	15/Mar/17	29/Mar/17	8/Apr/17	NA	18/May/17	15/Jun/17	30/Jun/17	NA	NA	NA	14/Jul/17	5/Jan/19
<b>Revolving Fund</b>		2.100	136.50	NA	Presently, the GEF allocation in the total corpus under Revolving Fund Scheme (4E financing scheme) is US\$ 3 million, which will be enhanced to US\$ 5.1 million by allocating an additional amount of US\$ 2.1 million under this component											
<b>Incremental Operating Cost</b>		0.220	14.30	NA	For meeting Project Management Unit (PMU) expenses including expenses towards SIDBI staff salaries, admin & operating expenses, office supplies, office utilities, lease rent, capacity building / training of PMU staff, travelling, halting expenses, etc.											
<b>Total</b>		<b>3.620</b>	<b>235.30</b>													

# dates indicated in the procurement plan are indicated only subject to / by assuming that the additional financing would become effective w.e.f. 25 July 2016

**Annex 4: Proposed Procurement Plan - BEE - Additional Finance**

Package No.	Description	Selection Method	Estimated cost		ToR, EoI notice drafted	WB Approval of ToR	Publication of EoI	WB Approval of Shortlist and RFP Document	Issue of RFP	Receipt of proposals and opening technical proposals	Evaluation of Technical proposals & Approval of report	Opening of Financial proposal and Financial Evaluation	WB No objection to contract award recommendations	Contract signed	Contract completed
			USD (million)	INR (million)											
CSAF-1	Energy & Environment Specialist	Individual	0.10	6.60											24/01/2019
CSAF-2	Manager (Media/ Awareness)	Individual	0.06	4.20											24/01/2019
CSAF-3	Finance Management Specialist	Individual	0.07	4.80											24/01/2019
CSAF-4	Procurement Specialist	Individual	0.06	4.20											24/01/2019
CSAF-5	Project Engineer	Individual	0.03	1.80	30-06-2016	10-07-2016	N.A.	NA	N.A	24-08-2016	13-09-2016	N.A.	28-09-2016	28-10-2016	24/01/2019
CSAF-6	Agency for providing support for Design and Implementation of Energy Management System as per ISO-50001	QCBS	0.15	9.75	10-06-2016	17-06-2016	27-06-2016	NA	29-07-2016	28-08-2016	12-10-2016	01-11-2016	N.A	16-11-2016	10/05/2018
CSAF-7	Agency for undertaking Marketing, Awareness and Outreach and cross cluster learning activities	QCBS	0.20	13.00	20-07-2016	03-08-2016	10-08-2016	NA	30-09-2016	07-11-2016	06-12-2016	09-12-2016	N.A	30-12-2016	31/10/2018
CSAF-8	Agency for Maintaining Web portal & Helpline facility (Continuation of Existing work)	SSS	0.08	5.20	Completed	20-06-2016	N.A.	N.A	NA	30-06-2016	21-07-2016	N.A.	NA	01-08-2016	18/01/2019
CSAF-9	Technical Assistance to Energy Professionals (Continuation of ongoing Work)	SSS	0.10	6.50	Completed	11-10-2016	N.A.	N.A	26-10-2016	25-11-2016	09-01-2017	N.A.	24-01-2017	03-02-2017	29/04/2018
CSAF-10	Demonstration of EE technologies (Cont. of ongoing Work - Multiple contracts)	SSS	0.15	9.75	Completed	Completed	N.A.	N.A	30-06-2017	21-07-2017	04-09-2017	N.A.	19-09-2017	29-09-2017	31/11/2018
CSAF-11	Agency for development of sector specific Key EE Performance Indicators and Benchmarks	QCBS	0.15	9.75	20-10-2016	27-10-2016	06-11-2016	NA	10-01-2017	09-02-2017	10-04-2017	10-05-2017	N.A	25-05-2017	30/10/2018
CSAF-12	Agency for Project Evaluation	QCBS	0.05	3.25	25-01-2018	08-02-2018	15-02-2018	NA	12-04-2018	12-05-2018	26-06-2018	30-06-2018	N.A	28-07-2018	24/01/2019
CSAF-13	Benchmarking of consumer appliances + Electrical Motors (Multiple Contracts)	SSS/CQS	0.20	13.00	30-01-2017	09-02-2017	N.A.	N.A	24-02-2017	26-03-2017	10-05-2017	N.A.	25-05-2017	04-06-2017	31/10/2018

