

**The World Bank**

North Eastern Region Power System Improvement Project (P127974)

REPORT NO.: RES27860

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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NORTH EASTERN REGION POWER SYSTEM IMPROVEMENT PROJECT
APPROVED ON JUNE 24, 2016
TO
INDIA

ENERGY & EXTRACTIVES

SOUTH ASIA

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I. BASIC DATA

Product Information

Project ID P127974	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 24-Jun-2016	Current Closing Date 31-Mar-2023

Organizations

Borrower India	Responsible Agency POWERGRID Corporation Limited
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Project Development Objective (PDO)

Original PDO

The proposed project development objective (PDO) is to increase the delivery of electricity at the boundaries of the power distribution network in the participating states in the North Eastern Region.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-86310	24-Jun-2016	28-Nov-2016	20-Feb-2017	31-Mar-2023	470.00	417.19	52.81

Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



A. Project Status

1. The North Eastern Region Power System Improvement Project (NERPSIP) aims to increase the delivery of electricity at the boundaries of the power distribution network in the participating states in the North Eastern Region. The six participating states are Assam, Meghalaya, Manipur, Tripura, Nagaland and Mizoram. NERPSIP is funded by the Government of India (GoI) through the Budget of Ministry of Power (MoP) and the World Bank on 50:50 basis. The project is being implemented through Power Grid Corporation of India Limited, which has been appointed as the Implementing Agency (IA) by GoI.
2. Technical status: Out of the total 521 elements (lines, substations, Optical Ground Wire (OPGW) and All-dielectric self-supporting (ADSS) conductor works) planned under the project, 444 elements have been completed till end of December 2022. There has been a delay in few packages particularly in Tripura, Mizoram and Nagaland. The delay in completion of project activities has been mainly caused due to delay in timely availability of sub-station land, delay in route approval, delay in forest clearance, Right of Way issues, lack of approach roads in some cases, poor performance of vendors, COVID restrictions, and a limited working season in the region.
3. Financial status: As on January 12, 2023, the cumulative disbursements under the project from World Bank are at 88.7% (US\$ 417.19 million on the net IBRD commitment of US\$ 470 million).
4. Safeguards status: NERPSIP is a Safeguard Category A project. There is no change to the safeguards categorization and no new safeguard policies are being triggered. A Social and Environment Management Framework (ESMF) approved by Bank is in place and all on-going sub-projects have in place safeguard instruments that were prepared and implemented in accordance with the ESMF. Implementation of these plans is being reported upon through Half yearly Environment and Social monitoring reports.
5. Fiduciary status: Timely audit reports are being received from POWERGRID. All audit reports till FY22 have been submitted on time and there are no pending issues. A separate dedicated project bank account is being maintained by POWERGRID for Project funds flow. The project bank account is linked with GoI's Public Financial Management System (PFMS) for receiving funds from GoI and making project related payments. All NERPSIP receipts and payments are through direct transfer. POWERGRID has been taking prompt action to resolve contractual issues if and when they arise.
6. Legal Covenants status: The project is in compliance with its Legal covenants. As the project elements are being completed, GoI, POWERGRID and the States Power Utilities/Department are working to promptly transfer the ownership and maintenance of the assets created (from POWERGRID to the States Power Utilities/Departments) after the commissioning of such assets.
7. Project Ratings: As on January 12, 2023, the ratings of the project towards achievement of PDO and implementation progress are both Satisfactory.

B. Rationale for Restructuring

8. This proposed restructuring is in response to a formal request from the Department of Economic Affairs (DEA) at the Ministry of Finance through a letter dated January 2, 2023, for the extension of the closing date to March 31, 2024.



9. The extension of the Project Closing Date will provide POWERGRID additional time required to complete the balance 77 elements and for undertaking the finishing work on the completed elements (including necessary inspections and hand over to state utilities) and settlement of final payment to contractors. The balance activities include 10 elements (4 Transmission lines, 2 underground cable works and OPGW works in 4 transmission lines) in Assam; 8 elements (1 Transmission line, 1 Grid substation, 2 distribution substations and OPGW works in 4 transmission lines) in Manipur; 5 elements (1 Transmission line, 1 Grid substation and OPGW works in 3 transmission lines) in Meghalaya; 7 elements (2 Transmission lines, 2 Grid substations and OPGW works in 3 transmission lines) in Mizoram; 11 elements (2 Transmission lines, 3 Grid substations, 1 distribution line and ADSS works in 5 transmission lines) in Nagaland; and 36 elements (3 Transmission lines, 2 Grid substations, 3 distribution lines, 9 distribution substations, OPGW works in 1 transmission line and ADSS works in 18 transmission lines) in Tripura.

10. Procurement for all activities/ elements is already completed except for one element (in Nagaland) for which procurement process is already underway. As per the assessment, it is expected that majority of the balance activities will get completed within the additional period of 12 months except for one activity (presently under procurement).

C. Proposed Changes

11. The project closing date will be extended by 12 months to March 31, 2024 from the original project closing date of March 31, 2023 to compensate for the time lost due to the delays above mentioned and allow sufficient time for the completion of balance project activities.

12. Disbursement estimates will be revised to reflect the actual and projected disbursements based on the updated implementation schedule.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-86310	Effective	31-Mar-2023		31-Mar-2024	31-Jul-2024