

US\$250 Million Agreement Signed to Support Electricity Distribution Sector Reforms in Rajasthan

The Government of India, Government of Rajasthan and the World Bank signed a US\$250 million Development Policy Loan (DPL) to support the Government of Rajasthan in improving the performance of its Electricity Distribution Sector under the State's 24x7 Power for all program.

The Second Programmatic Electricity Distribution Reform Development Policy Loan for Rajasthan is the second in the series of two operations planned for a comprehensive turnaround of Rajasthan's electricity distribution sector. The First Loan closed in March 2017.

The Electricity Distribution Utilities (DISCOMs) in Rajasthan provide electricity to about 9.5 million customers. The key areas that the program will support include:

- Strengthening Governance in the Distribution Sector in the State by establishing Annual Performance MoUs between the DISCOMs and the State Government; putting in place a Performance Management System; providing incentives to employees for improving performance;
- Financial Restructuring and recovery in the Sector by transferring considerable amounts of the DISCOMs debt to the State; bringing in more discipline in the revenue requirements of DISCOMs;
- taking initiatives in reducing the costs of energy procurement; and improving the operational performance of the DISCOMs through initiatives like publishing feeder level energy audits and increased usage of IT among others.

This will contribute to the State's Fiscal Sustainability, and the objective of 24x7 Power for All initiative, which aspires to provide continuous, reliable power supply to all households in Rajasthan by 2019. This operation will deepen the Institutional and Operational Reforms that were launched in late 2015 centered around the Government of India's (Gols) Ujwal DISCOM Assurance Yojna (UDAY), which Rajasthan joined in 2016 and the Rajasthan State Electricity Distribution Management Responsibility (RSEDMR) Act, which aims to reform the Governance of DISCOMs and bring greater public accountability in their functioning.

This program will continue to support the ongoing reforms that the distribution companies are making for a financial turnaround and also improve the financial health of DISCOMS, will help free-up the State's resources for spending on social sectors, allowing for businesses to grow and jobs to be created.

To address the concerns of affordability and access to electricity for the poor, the program also supports the Government of India's Domestic Efficient Lighting Program (DELP), under which more than 15 million LED lamps have been distributed in the State. The loan from the International Bank for Reconstruction and Development (IBRD), has a 3-year grace

period, and a maturity of 21 years.

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Warm regards,

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