

GOVERNMENT OF HIMACHAL PRADESH
DEPARTMENT OF MPP & POWER

No- MPP-F (10)- 24/2011

Dated: Shimla- 171002,

05th October, 2011.

NOTIFICATION

The Governor, Himachal Pradesh is pleased to notify the revised Guidelines for management of Local Area Development Fund (LADF) in respect of Hydro Electric Projects as Annex-I. These guidelines supercede the guidelines notified earlier vide No. MPP-F(10)-15/2006 dated 16-09-2009.

By Order,

Principal Secretary (Power)
Government of Himachal Pradesh


Endst. No.- MPP-F (10)- 24/2011

Dated: Shimla- 171002,

05th October, 2011.

Copy forwarded for information and necessary action to:-

1. All the Administrative Secretaries, GoHP, Shimla- 171002.
2. The Director, Directorate of Energy, Shanti Bhawan, Sector- 6, Phase- 3, New Shimla- 171009.
3. The Divisional Commissioner, Shimla/ Mandi/ Kangra at Dharamshala.
4. All the CMDs/ MDs, HPSEBL/ HPPCL/ HPTCL/ SJVNL/ BBMB/ NHPC/ NTPC.
5. The CEO, Himuja, SDA Complex, Kasumpti, Shimla, H.P., 171009.
6. The Director, NIC, Shimla-171002 for hosting the notification on the official website of the Government of H.P. and Directorate of Energy.
All the Deputy Commissioners, Himachal Pradesh.
The Controller, Printing and Stationery, Himachal Pradesh, Shimla-5 for publication in the Rajpatra.


Special Secretary (Power) to the
Government of Himachal Pradesh

**GOVERNMENT OF HIMACHAL PRADESH
DEPARTMENT OF MPP & POWER**

**Revised Guidelines for management of Local Area Development Fund (LADF)
in respect of Hydro Electric Projects.**

1 BACKGROUND

1.1 The Hydro Power Policy, 2006, provides that 1.5% of the final cost of the projects above 5 MW and 1% of the final cost of projects up to 5 MW shall be contributed to a Local Area Development Fund (LADF). This provision is applicable for new as well as ongoing projects at the time of notification of the policy. The Guidelines for management of Local Area Development Fund (LADF) in respect of Hydro Electric Projects were notified vide no MPP-F-(10)15/2006 dated 16.9.2009.

1.2 Thereafter Government of HP vide notification No.-MPP-F(1)-2/2005-V dated 30.11.2009 has brought in additional provisions in line with the provisions of Government of India's new Hydro Power Policy, 2008.

- a) Additional 1% (one percent) free power after commissioning of hydro power projects shall be earmarked for the LADF to provide a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities etc. on a sustained and continued basis over the life of the project.
- b) The government of Himachal Pradesh may also provide a matching 1% from its share of 12% free power through plan/budgetary provisions for schemes where the normal plan/budgetary provisions and the 1% free power provided by the Developer (s) to the LADF is not adequate to meet the requirement for infrastructure or schemes.

1.3 This entire contribution towards Local Area Development Activities is to be maintained in the shape of LADF which will be administered by a committee called Local Area Development Committee (LADC) comprising of various stakeholders including Government departments, project developers and public representatives/nominated members from Project Affected Areas.

1.4 The implementation of this policy and continuous feedback from Project Developers on LADF management have brought up the need to revisit these guidelines in order to administer the LADF and to manage the activities of LADC in an objective, transparent and efficient manner, increase local participation and create a stake of the community in the expeditious harnessing of power potential. A revision of the guidelines is accordingly being carried out.

2 AIMS & OBJECTIVES:

While developing hydro power projects, there is an impact on the environment, existing infrastructure, individual and community resources, etc. This need to be addressed by making appropriate and adequate provisions in the project design and cost. Provision for mitigating these adverse consequences is provided for in schemes like Environment Management Plan (EMP), Catchment Area Treatment Plan (CAT Plan), restoration of loss of environment through Compensatory Afforestation and Net Present Value payment, Rehabilitation and Resettlement Plans and compensation for damage to crops due to pollution, etc. In addition, a special provision of Local Area Development Fund (LADF)

so as to ensure visible additional benefit to local communities in the project area as part of the cost of a project. Further allocation of this LADF contribution to schemes and purposes needs to be based on pre-determined, objective parameters. The people of the affected area should be aware of the allocations likely to flow to them so that on the one hand gainful infrastructure and local development activities can be planned well in advance and on the other hand local communities develop an interest in expeditious completion of projects.

3 DEFINITIONS:

3.1 PROJECT AFFECTED FAMILY (PAF):

Means a family whose land or house or other property or source of livelihood has been partly or fully acquired for the development of project.

3.2 PROJECT AFFECTED AREA (PAA):

3.2.1 Project Affected Area (PAA) means the area where actual project components including submergence area/muck dumping area, mine/quarry area, infrastructure including roads, project dedicated township, offices, construction facilities, welfare facilities and any other facilities directly related to project implementation are located. Townships and offices such as design office or head office not directly connected with the particular project site are excluded. Unit for declaring Project Affected Area would ordinarily be the Gram Panchayat. However, in the case of Projects upto 5 MW capacity, where component(s) pertains only to specific wards and do not impact the rest of the Gram Panchayat then those wards shall be separately enumerated and considered as PAA.

3.2.2 In case of reservoir or storage projects involving resettlement, the area for resettlement shall also be covered as PAA.

3.3 PROJECT AFFECTED ZONE (PAZ):

Project Affected Zone (PAZ) means the area surrounding such project affected area where impact of the project on the lives of people is considerable even if no direct project activity is taking place there. The categorization of PAZ on the basis of project size will be as under:

3.3.1 For Projects of capacity upto 5 MW

Only such adjoining Wards/Panchayats to PAA as are considered to be impacted by the project.

3.3.2 For Projects of capacity from 5 MW to 100 MW

All the adjoining Panchayats to PAA as are considered to be impacted by the project in the same or adjoining district/s.

3.3.3 For Projects of capacity above 100 MW

Entire block or all such adjoining Panchayats to PAA as are considered to be impacted by the project in the same or adjoining District/s.

Note: 1) Project Affected Families in all cases shall be declared by the concerned DC. Project Affected Area and Project Affected Zone will be declared by Govt. of Himachal Pradesh on the recommendation of concerned DC for projects over 100

MW and by the concerned Deputy Commissioner for projects upto 100 MW. In case of a project falling in more than one District the PAA & PAZ will be declared by GoHP. No expenditure will be incurred till the PAA and PAZ are notified.

- 2) The declaration of PAA and PAZ is to be completed prior to signing of IA. The project developer will submit the proposal to the Deputy Commissioner within 2 (two) years of signing of MOU/PLA.
- 3) In case of scattered and isolated PAA e.g. mining and dumping areas etc., the PAZ will be only such adjoining Panchayats to PAA as are considered to be impacted by the project.

4 COMPOSITION OF LADF:

The LADF shall comprise of contribution by project based on project cost and free power after commissioning as envisaged in the state and national hydro power policies. The hydro project developers in the State shall contribute towards LADF in two stages.

4.1 Prior to Commissioning of the Project

- 4.1.1 The Project developer shall contribute a minimum of 1.5% of final cost of the Project for projects of more than 5 MW capacity and a minimum of 1% for projects of capacity upto 5 MW. While the project authorities have to contribute minimum of 1.5% or 1% (as the case may be) of project cost to LADF, they may contribute more if they so desire. Initially the LADF will be worked out on the basis of the Project cost as per DPR for depositing with the concerned DC. After completion of the Project, the LADF will be worked out on the final completed cost.
- 4.1.2 The Project cost will be as approved by CEA/ State Govt. and include IDC, CAT, R&R expenses, etc. Escalation will be included when revised TEC is given. As the entire cost is included in calculating tariff for PPAs as per regulatory guidelines, it would be appropriate to follow the same guidelines for calculating the LADF contribution. Therefore, the total cost as per TEC will be taken as basis for calculating LADF contribution. It would be adjusted as and when TEC is revised in the course of project construction/completion.
- 4.1.3 The balance amount of LADF worked out on final cost shall be deposited by the Developer within one year of Commercial Operation Date (COD) of the Project.

4.2 After Commissioning of the Project

Project developers of all capacities shall contribute 1% free power for LADF over and above the rates of royalty agreed to be paid to the State Government in the Implementation Agreement/ Supplementary Implementation Agreement, as the case may be. This additional 1% (one percent) free power, over and above the royalty component provided to the host State will be a pass through in tariff. The revenue collected by the Nodal Agency (Directorate of Energy) from sale of such 1% free power (contribution from the Project Developer) will be transferred to the Local Area Development Fund for each project.

5. REALIZATION OF LADF CONTRIBUTION

5.1 Prior to Commissioning of the Project:

5.1.1 Contribution to be made prior to commissioning of the Project shall be released by project developers in the following manner:

- a) 10% amount within three months of signing of Implementation Agreement (IA).
- b) 15% amount within 18 months of signing of the IA.
- c) Balance 75% amount in three equal annual instalments during construction period of the project. The first instalment will be paid within three months of Zero date as given in the IA or 31st December whichever is later and thereafter by 31st December on annual basis.

5.1.2 If any Project Developer wishes to make a contribution in advance of this schedule, it will be accepted.

5.1.3 In case of failure to adhere to the time lines as prescribed under a), b) and c) above, the project developer shall be liable to pay interest on the due amount of LADF @12% per annum.

5.2 After commissioning of the Project:

The 1% free power contribution to LADF shall be sold by the state government alongwith its share of free power. The amount equivalent to average net realization per unit multiplied by the number of units for which 1% is to be paid will be placed at the disposal of LADC annually. The average price per unit will be worked out on the basis of net proceeds of total free power sale by GoHP divided by total number of units involved, after allowing 1 paise per unit to be retained by the State Government as the expenses of Directorate of Energy.

6. INSTITUTIONAL ARRANGEMENT FOR ADMINISTRATION OF LADF

6.1 There shall be a State Level Committee headed by Principal Secretary (MPP & Power) to monitor the operation of the LADF arrangements, adherence to guidelines and time lines for deposit in the fund at various stages. The State Level Committee is empowered to clarify any un-addressed issues and remove any difficulties to facilitate smooth functioning in implementation of these guidelines. The Directorate of Energy will be the nodal agency at State level and will keep a record of the LADF activities, amounts to be deposited by each project developer and manage the allocation of revenue generation from 1% additional free power to the concerned LADC to be constituted as described hereafter.

6.2 The LADF will be administered by a committee called the Local Area Development Committee (LADC) which will be constituted for each Project separately, immediately after signing of the Implementation Agreement. All the LADCs constituted within the District shall function under the overall superintendence and control of the Deputy Commissioner. The LADCs for various sizes of projects will be as under:

6.2.1 District level LADC for projects of above 100 MW capacity:

1.	Deputy Commissioner	Concerned Distt.	Chairman
2.	District level officers of PW, IPH, Forest, Rural Development, Health, Horticulture Departments	Concerned Area	Members
3.	Chairman & Vice-Chairman, Zila Parishad (for District level allocation only)	Concerned Parishad	-do-
4.	Chairman & Vice-Chairman Panchayat Samiti (for Block level allocation only)	Panchayat Samiti	Members
			-do-
5.	Pradhan(s) of all affected Gram Panchayat(s) in PAA.	Concerned area	-do-
6.	Representative of the Project Developers	Concerned Project	Member Secretary

6.2.2 LADC for projects of capacity 5 MW to 100MW:

1.	Deputy Commissioner (Sub Divisional Magistrate for Projects up to 25 MW capacity)	Concerned District (Concerned Sub-division)	Chairman
2.	Sub-Division level officers of PW, IPH, Forest, Rural Development, Health, Horticulture Departments	Concerned Area	Members
3.	Chairman & Vice-Chairman Zila Parishad (for District level allocation only)	Concerned Parishad	-do-
4.	Chairman & Vice-Chairman Panchayat Samiti (for block level allocation only)	Concerned Samiti	-do-
5.	Pradhan(s) of all affected Gram Panchayat(s) in FAA	Concerned area	-do-
6.	Representative of the Project Developer	Concerned Project	Member Secretary

6.2.3 LADC for projects of capacity up to 5 MW:

1.	Sub Divisional Magistrate or Tehsildar (As may be decided by the DC from time to time)	Concerned Sub-div./Tehsil	Chairman
2.	Sub-Division level officers of PW, IPH, Forest, Rural Development, Health, Horticulture Departments	Concerned Area	Members
3.	Pradhan(s) of all affected Gram Panchayat(s) in PAA or the Ward members of affected wards as the case may be	Concerned Project/ Concerned Ward	-do-
4.	Representative of the Project Developer	Concerned Project	Member Secretary

- 6.2.4 In case any project has an area in more than one district and the LADC for the District having only a small part of the project may be headed by SDM/Tehsildar regardless of the size of the project.
- 6.2.5 The above proposal will entail separate LADC for each project in each district enabling better targeting and execution of schemes.
- 6.2.6 Local MLA shall be an invitee to every meeting of all the above committees.
- 6.3 FUNCTIONS, RESPONSIBILITIES OF the LADC

6.3.1 Each LADC shall be responsible for:

- a) Realisation of contributions to LADF from project promoters as per norms fixed by the State Government.
- b) Overall management, control and administration of LADF including documentation and maintenance of accounts.
- c) Scrutiny of the proposed schemes to ensure adherence to these guidelines.
- d) Approval of shelves of schemes and finalization of Annual Action Plan (AAP) in respect of each HEP and allotment of funds to executing agencies. Each scheme included in the shelf or AAP shall be only on the basis of recommendation of Gram Panchayat/Panchayat Samiti or Zila Parishad concerned. The committee will not thrust any scheme in to the shelf/AAP at its level and ensure no in-eligible scheme is sanctioned by it.
- e) Monitoring and supervision of implementation of schemes approved under LADF.
- f) Review the progress of all administrative and statutory clearances with a view to remove local hurdles, if any, and settle local issues to facilitate timely execution of the power projects.

7. INTIMATION ON AMOUNT OF CONTRIBUTION TO LADF

The Directorate of Energy will inform the concerned Deputy Commissioner/SDM/ Tehsildar (Chairman of LADC) about the signing of Implementation Agreement and the tentative amount (1.5% or 1% of the project cost as the case may be) due from the Project Developer against LADF on the basis of the cost reflected in the DPR submitted or the initial TEC as the case may be. (This amount shall be updated subsequently on firming up of the completion cost). This amount in turn will be intimated to the Gram Panchayats/Blocks/District during the first meeting of the project, LADC, enabling the concerned body to prepare their shelf of schemes as per the allocation expected by each of them.

8. PARAMETERS FOR ALLOCATION OF FUNDS

8.1 Prior to Commissioning of the Project:

The following allocation of funds will be applicable for Run of the River schemes. (The allocation for the reservoir or storage schemes shall be decided by the State Level Committee on case to case basis.)

Allotment of funds for local area development works shall be made strictly in accordance with the following norms:

Sr. No.	Category of HEPs.	Norms for allocation of LAD Funds during the construction phase			
		Project Affected Area (PAA)	Project Affected Zone (PAZ)		
			Project affected Panchayat(s)	Project affected Block(s)	Project affected District (s)
1.	Upto 5 MW Capacity	70%	30%	Nil	Nil
2.	5-100 MW Capacity	60%	20%	10%	10%
3.	>100 MW Capacity	50%	20%	15%	15%

8.1.1 Further allocation of funds amongst the Panchayats in Project Affected Areas shall be determined on the basis of a formula that assigns weightage to the following parameters in respect of 50% of the funds proposed to be allocated for PAA at para 8.1 above :

- a) Extent of private land used for project components including submergence of land 45%
- b) Extent of land affected above underground components 15%
- c) Extent of land used for infrastructure (Roads, Colony, warehouses etc.) 20%
- d) Affected stretch of river /stream on both banks in respect of Diversion structure and Power House 20%

Note: These ratios will be finalized by the LADC Chairman in consultation with the project developer based on factual details and ground realities. In case the project involves families to be displaced and relocated somewhere else, funds shall also be allocated to the host Gram Panchayats in the ratio of number of PAFs displaced to total PAFs. Till the host Gram Panchayat is identified, this amount shall not be distributed.

8.1.2 The balance 50% of the funds to be allocated for PAA at para 8.1 above, shall be allocated on the basis of ratio of population of each concerned GP to the total population of the entire area in PAA as on 1st January of the year of allotment of the project.

8.1.3 Funds amongst GPs in the PAZ shall be allocated as per ratio of population of each GP to the population of all GPs in the PAZ.

8.1.4 GPs (or wards in PAA) if only wards are notified as PAA) may allocate funds to any eligible scheme after obtaining the approval of the Gram Sabha (Ward Sabha where applicable).

shall not be made for Panchayat Level Schemes. In other words, schemes out of these funds must result in benefits to the block or district as the case may be. Thus funds may be allocated to a road, water supply, education or health institution serving more than one GP or block or entire district and not to a scheme restricted to a GP area.

8.2 After commissioning of the Project:

The Government through the DOE will provide revenue received from the 1% free power component to the Local Area Development Fund for each project. The amount so received shall be allotted by the LADC in the form of a cash transfer to all the families of the Project Affected Area, every year, during the entire life span of the project as below:

8.2.1 85% equally among all the long term resident families entered in the Parivar register of the Gram Panchayat(s) of Project Affected Area on the date of allotment of the Project.

8.2.2 15% to all the BPL families in the PAA. This amount will be in addition to the amount received by these families under item 8.2.1 above subject to the condition that the maximum amount payable to the BPL families does not exceed 1.5 times the amount payable to all families.

8.2.3 The Developer will be entitled to claim compensation for the delays and financial losses (in commissioning of the Project) due to work stoppage on account of agitation by local people during construction of the Project. The Project proponent shall submit the details of the stoppages on account of agitations by the locals and these delays (in number of days) shall be approved by the State Level Committee in consultation with District Authorities. The financial loss to the Developer will be worked out for the accepted number of days of delay(s) with reference to the annual generation (Design Energy) and will be deducted from the revenue which shall accrue from 1% free power and will be paid to the Developer.

9 PREPARATION OF SHELF OF SCHEMES

9.1 The Member Secretary, LADC will after approval by the Chairman, inform the concerned Panchayat about the tentative amount that will be available for each project affected Panchayat in accordance with provisions in para 8.1 above.

9.2 A comprehensive shelf of projects for the entire amount would then be prepared by the concerned Panchayat/block/district and approved by the Gram Sabha/LADC as the case may be, along with a yearly plan. The annual plan may be discussed again in the Gram Sabha/ LADC every year and altered if required. The shelf so approved would then be sent to the Member Secretary of concerned LADC.

9.3 Eligibility of schemes for preparation of shelf of schemes shall be based on the following parameters:

- i) Facilities meant for a Panchayat only will be considered as Panchayat level schemes, like cement concrete internal paths, ropeways, street light, sanitation, rain water harvesting, Ropeways, buildings, etc.

- ii) Facilities serving more than one Panchayat will be considered as Block Level schemes e.g. school, cement concrete link road, primary health centre, etc.
- iii) Facilities for district level infrastructure like Bus Stand, Hospital, College, Training Institutes, fire tenders, ambulances, etc. or any other district level needs, will be considered as District level schemes.

9.4 The following schemes/activities will not be covered out of LADF allocations:

- i) Kachha Paths/Roads
- ii) Purchase of Light Vehicles associated with monitoring of the LADF activities
- ii) Renovation/Repairs/Maintenance of individual houses (if compensation has been received or is being made available out of any other purpose.
- iv) Schemes of recurring expenditure or allowance or grant to any individual.

Other than the above and subject to para 8.1.4 and 8.1.5 read with para 9.3, any scheme may be sanctioned by the GP/LADC

10 IMPLEMENTING AGENCY

The implementing agency for sanctioned schemes can either be a Gram Panchayat or a Govt. Department or the Project Developer. The decision on choice of agency for Panchayat level schemes shall lie with the Gram Panchayat. For schemes beyond Panchayat level, the Chairman of the LADC shall decide the implementing agency.

11. EXECUTION AND MONITORING

- 11.1 The funds for sanctioned schemes would be released by the LADC to the implementing agency in installments based on the progress of schemes/actual utilization.
- 11.2 The Executing Agency shall furnish accounts along with Utilization Certificate and Completion Certificate to the LADC.
- 11.3 The progress of financial allocation and implementation of schemes shall be monitored regularly by LADC. Appropriate reporting arrangements will be made by the LADC to submit on line information on a web based programme to be specified by the State Level Committee.
- 11.4 While a government agency executing the scheme would have their own mechanism for mandatory inspections for assessment of works, the LADC may also use Engineering staff of any Govt. department for this purpose. The Project Developer in consultation with LADC will also be at liberty to check the quality and quantity of various works and suggest improvement required, if any.

12 MANAGEMENT OF FUND AND UTILIZATION OF INTEREST AMOUNT

- 12.1 The funds of LADF would be kept in a joint account in any scheduled bank. The deposits will be managed efficiently to secure best interest income. The account of

LADC shall be operated jointly by the Chairman and Member Secretary of the concerned LADC. The LADF would be subject to Audit and instructions of State Government as issued from time to time.

- 12.2 Member Secretary shall be responsible for the maintenance of LADF accounts and preparation of resolutions and minutes of the LADC meetings.
 - 12.3 LADC shall meet at least twice a year at such time and venue as decided by the Chairman.
 - 12.4 The assets created under LADF shall belong to the institutions for which they are constructed or to local body as the case may be, which will be responsible for all operation and maintenance of such assets.
 - 12.5 The interest earned on the funds deposited in LADF will become part of LADF. The interest earned may be used by LADC to cover cost of organizing LADC meetings, monitoring, offices expenses, audit or to hire services of experts for quality assurance, dispute resolution, etc. without imposing any obligation on the State Government.
- 13 ADJUSTMENT UNDER LADF OF EXPENSES INCURRED BY DEVELOPERS PRIOR TO HYDRO POWER POLICY- 2006.
- 13.1 The expenditure incurred by project developer on Local Area Developmental Activities as enumerated at para 9 above, in respect of the Hydroelectric Projects allotted prior to Hydro Power Policy 2006, shall be admissible for adjustment against the contribution related to the period prior to commissioning of a project.
 - 13.2 Infrastructural activities like approach roads, bridges and other works which are essentially required to be executed as part of implementation of the project shall not be taken into account as admissible expenditure adjustable against LADF under para 13.1.
 - 13.3 Only projects allotted prior to the notification of the Hydro Policy 2006 shall be eligible for this concession. They will apply to the Directorate of Energy with full details of the expenditure for which they desire adjustment against their LADF contribution. The Directorate of Energy will send the details to the concerned Deputy Commissioner for certification. Based on such certification, the relevant expenditure will be adjusted against LADF contribution.