
LOAN NUMBER 2308 - IND

LOAN AGREEMENT
(Ordinary Operations)

(Uttarakhand State-Road Investment Program – Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 25 October 2007

LAL: IND 38255

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 25 October 2007 between India, acting by its President (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by the State of Uttarakhand (hereinafter called the State) through its Public Works Department (hereinafter called PWD or EA), and for this purpose the Borrower will make available to the State the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the State;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, (said Ordinary Operations Loan Regulations being hereinafter called the Loan Regulations).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Component" means each of the components as described under Schedule 1 to this Loan Agreement;

(b) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" dated April 2006, as amended from time to time;

(c) "EARF" means the Environmental Impact Assessment Review Framework as attached under Schedule 5 to the FFA;

(d) "Executing Agency" or "EA" means the State through the PWD;

(e) "FAM" means the facility administration memorandum to be prepared and agreed between ADB and the Borrower to facilitate implementation and processing of the Facility and related PFRs;

(f) "FFA" means the Framework Financing Agreement dated 14 November 2006 between ADB and India, for the Facility;

(g) "Facility" means the multitranche financing facility provided by ADB to the Borrower in accordance with ADB's policy under *Pilot Financing Instruments and Modalities* (R194-05, 4 August 2005);

(h) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(i) "IPDF" means the Indigenous Peoples Development Framework as attached under Schedule 5 to the FFA;

(j) "Investment Program" means the entire program for the State's roads development program as described under the FFA;

(k) "MIPMS" means management information and project management system;

(l) "PFR" means the periodic financing request to be submitted by the Borrower for purposes of each loan under the Facility and for purposes of this Loan Agreement means the PFR dated 14 November 2006;

(m) "PMU" means the Project Management Unit set up by the EA for purposes of the Project in accordance with the provisions of paragraph 2 of Schedule 5 to this Loan Agreement;

(n) "PIU" means each of the six Project Implementation Units set up in accordance with paragraph 3 of Schedule 5 to this Loan Agreement;

(o) "PWD" means the State Public Works Department that shall be responsible for execution of the Project;

(p) "Procurement Guidelines" means ADB's "Procurement Guidelines" dated April 2006, as amended from time to time;

(q) "Procurement Plan" means the procurement plan for the Project, attached to the PFR and agreed between the Borrower, the State, and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Project" means as generally defined under the Loan Regulations and referred to as Project 1 under the Investment Program for this Loan Agreement;

(s) "RDP" means Road Development Plan of the State;

(t) "RF" means the Resettlement Framework as attached under Schedule 5 to the FFA;

(u) "State" means the State of Uttarakhand; and

(v) "Works" means road construction improvement and maintenance works, or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of fifty million dollars (\$50,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a term of 25 years, including a grace period of 5 years, as provided in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations.

Section 2.03. (a) The Borrower shall pay a commitment charge at the rate of three-fourths of one percent (0.75%) per annum. Such charge shall accrue on amounts of the Loan (less amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of this Loan Agreement, as follows:

during the first twelve-month period, on \$7,500,000;
 during the second twelve-month period, on \$22,500,000;
 during the third twelve-month period, on \$42,500,000; and
 thereafter, on the full amount of the Loan.

(b) If any amount of the Loan is cancelled, the amount of each portion of the Loan stated in paragraph (a) of this Section shall be reduced in the same proportion as the cancellation bears to the full amount of the Loan before such cancellation.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions satisfactory to ADB and shall cause the State to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and consulting services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2012 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the State to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, and State road development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed by the State, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. The Borrower shall make available for the Project, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable the State to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the financing arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the financing arrangements relating to the Project shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. Any of the Secretary, Additional Secretary, Joint Secretary, Director, or Deputy Secretary in the Department of Economic Affairs of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

The Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
North Block
New Delhi – 110001
India

Facsimile Number:
(91-11) 2309-2477
(91-11) 2309-2511.

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:
ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2340.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

INDIA

By 

ARVIND MAYARAM
Joint Secretary (Infra)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By 

SHUNSO TSUKADA
Officer-in-charge
India Resident Mission

SCHEDULE 1**Description of the Project**

1. The Project comprises assistance to the State towards improvement and maintenance of a sub-network of State roads that would enhance the overall physical condition of the State road network. The Project also includes assistance to the EA to increase sustainability of investments in the State road sector as described below.
2. The Project shall comprise components as follows as more fully described in the PFR:
 - (a) Component A - Infrastructure Improvement: This comprises improvement and maintenance work on a sub-network of roads totaling about 570 Km in length for which pre-construction activities have been completed.
 - (b) Component B - Infrastructure Management Component: This component will assist the PWD to: (i) initiate business process re-engineering, and (ii) increase staff skills and asset management capacity.
3. The Project is expected to be completed by 30 September 2011.

SCHEDULE 2

Amortization Schedule

(Uttarakhand State-Road Investment Program - Project 1)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15-Jun-2012	0.83
15-Dec-2012	0.87
15-Jun-2013	0.91
15-Dec-2013	0.96
15-Jun-2014	1.01
15-Dec-2014	1.06
15-Jun-2015	1.11
15-Dec-2015	1.16
15-Jun-2016	1.22
15-Dec-2016	1.28
15-Jun-2017	1.35
15-Dec-2017	1.42
15-Jun-2018	1.49
15-Dec-2018	1.56
15-Jun-2019	1.64
15-Dec-2019	1.72
15-Jun-2020	1.81
15-Dec-2020	1.90
15-Jun-2021	1.99
15-Dec-2021	2.09
15-Jun-2022	2.20
15-Dec-2022	2.31
15-Jun-2023	2.42
15-Dec-2023	2.54
15-Jun-2024	2.67
15-Dec-2024	2.80
15-Jun-2025	2.94
15-Dec-2025	3.09
15-Jun-2026	3.25
15-Dec-2026	3.41

Schedule 2

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15-Jun-2027	3.58
15-Dec-2027	3.76
15-Jun-2028	3.94
15-Dec-2028	4.14
15-Jun-2029	4.35
15-Dec-2029	4.57
15-Jun-2030	4.79
15-Dec-2030	5.03
15-Jun-2031	5.29
15-Dec-2031	5.54
TOTAL	100.00

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

Schedule 2

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and allocation of amounts to each such Category (hereinafter called the Table). Reference to Category in this Schedule is to a Category or Categories of the Table.

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Loan on the basis of percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with and notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures; Statement of Expenditures

4. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the Loan proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook) and ADB's "Interim Guidelines for Disbursement Operations, LIBOR-Based Loan Products" dated July 2002, both as amended from time to time, using direct payment procedures and reimbursement procedures. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures; any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project towards civil works and consulting services, before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20 percent of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Uttarakhand State-Road Investment Program – Project 1)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated \$ Category	Percentage and Basis for Withdrawal from the Loan Account
1	Works	45,000,000	78 percent of total expenditure
2	Consulting Services	5,000,000	73 percent of total expenditure
	Total	50,000,000	

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
Limited International Bidding
National Competitive Bidding

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Borrower may allow the State to grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

5. National Competitive Bidding. The bidding documents and procurement procedures agreed between EA and ADB for use under advance contracting, as also set out in the Procurement Plan, will be followed. Any modifications to these will be agreed between the EA and ADB and further set out in the Procurement Plan.

C. Conditions for Award of Contract

6. The Borrower shall ensure that the State shall not award any Works contracts financed under the Loan are awarded until all requirements as referred to in this Schedule and in paragraphs 7-9 of Schedule 5 to this Loan Agreement have been complied with.

D. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

8. The Borrower shall cause the State to apply following methods for selecting and engaging specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan.

Consultants' Qualification Selection for consultants as indicated in the Procurement Plan
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9. The State's standard procedures for selecting and engaging consultants may be used for selecting and engaging national consulting companies and individuals to provide short term specialist consultancy support to the PMU the modifications set out in the Procurement Plan.

E. Industrial or Intellectual Property Rights

10. (a) The Borrower shall cause the State to ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause the State to ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

11. The Borrower shall cause the State to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

F. ADB's Review of Procurement Decisions

12. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower, State and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities

Project Execution

1. The Project shall be executed by the EA. The Borrower shall cause the State through the PWD to undertake all activities and implementation of the Project in accordance with the provisions of this Loan Agreement and related Project Agreement.

PMU

2. (a) The PMU set up by the State under the Facility shall remain adequately staffed and functional for the Project and the Facility. The PMU shall comprise a Project Director and at least one road design and pavement manager, procurement and contract administration specialist, finance manager, environment specialist, and social and resettlement specialist and coordinator, to assist implement the RF, IPDF, and EARF. The Project Director shall report to the Chief Engineer of the PWD. The Secretary PWD would be responsible for interdepartmental coordination and overall supervision of the Investment Program and the Project.

(b) The PMU shall be responsible for day to day operation of the Project and Investment Program, and periodic functions such as preparation of PFRs for projects under the Facility, engagement of consultants and contractors, preparation of reports, approvals from relevant authorities and ADB, and overall supervision of consultants.

(c) The EA shall engage Program Support Consultants, within two months of the Effective Date, to assist the PMU to coordinate with supervision and infrastructure management consultants and facilitate timely processing and implementation of the Project.

PIUs

3. (a) At least one month prior to the award of the first works contract under the Project and no later than one month from the Effective Date, whichever is earlier the EA shall establish six PIUs in close proximity to the relevant sites, to manage the works contracts.

(b) Each PIU shall be headed by a superintendent engineer, assisted by an executive engineer and at least 2 other technical staff including staff with expertise in social development and environmental management, an accounts officer and 2 support/administrative staff. The Head of each PIU shall coordinate and liaise with the Project Director of the PMU, and shall be supported as needed, by the Program Support Consultants.

Steering Committee

4. (a) The State shall operationalize the Steering Committee headed by the Chief Secretary of the State and comprising Secretaries of key State agencies.

Schedule 5

(b) The Steering Committee shall remain for the entire duration of the Project and the Facility; and shall monitor and guide the Investment Program, as also review and guide on Project implementation to ensure its effectiveness and timeliness.

5. The State shall ensure that the composition of the Steering Committee, PMU and PIUs, agreed with ADB, remain fixed for the entire duration of the Project and the Facility.

Selection and Approval Procedures

6. (a) The State shall delegate necessary authority to designated staff of PMU for timely processing of PFRs and implementation of individual projects under the Facility. In this regard State shall ensure active coordination with ADB for strict adherence to implementation schedules including, but not limited to, recruitment of consultants and safeguard compliances, as agreed under the Facility as well as for individual projects under the Facility.

(b) The EA shall ensure that detailed project reports for all components of subsequent projects under the Facility are prepared in accordance with the social, environmental and indigenous people frameworks agreed with ADB during processing of the Facility, as amended from time to time.

(c) The EA shall ensure that the road sections to be improved under the Project are selected in accordance with the criteria set out in Schedule 4 of the FFA, and the infrastructure management components are prepared in relation to the policy dialogue undertaken with ADB.

(d) Whenever possible, works contracts awarded for each project under the Facility shall be for improvement and three-year performance based maintenance in accordance with the Procurement Guidelines, ADB's standard bidding documents, and other reference documents acceptable to ADB.

(e) The EA shall submit the summary appraisal report based on the detailed project reports and the draft PFRs for each project to ADB for review at least 60 days prior to the PFR due date for that project; and subject to satisfactory completion of ADB suggested revisions and amendments, the finalized PFR shall be submitted by the Borrower to ADB.

Environment

7. The EA shall:

(a) implement the Project in accordance with the EARF under ADB's Environment Policy, 2002, and applicable laws and regulations of the Borrower and the State; and

(b) provide training to engineers to be assigned for environmental management and to ensure that the requirements of the EARF are fully implemented in consultation with the relevant contractor and construction supervision consultants.

Social and other matters

8. The EA shall:

(a) implement the Project in accordance with the RF, and IPDF under ADB's Involuntary Resettlement Policy, 1995 and Indigenous People's Policy, 1998, and applicable laws and regulations of the Borrower and the State;

(b) in case of any changes in the Project roads due to detailed design ensure that that the RPs for the Project are updated on the basis of the final design and submitted to ADB for review and approval prior to award related civil works contracts; and

(c) monitor and submit to ADB quarterly progress and completion reports on land acquisition, environment management, resettlement and other issues.

Executions of Civil Works Contracts

9. The EA shall ensure that

(a) subject to compliance with the requirements of the RF, IPDF and EARF and related RP, IEE/EIA, and IPDP, respectively, it shall (i) make available land and rights in land, free from encumbrances, and (ii) clear the utilities, trees, and any obstruction on such land, on a timely basis, i.e., strictly in accordance with the schedule as agreed under the related works contract, as required for activities relating to each road or section of a road in the works contract; and

(b) subsequent to the award of a contract package to a contractor, ensure that roads or sections of roads (sites) in that package are not handed over to the contractor unless all provisions of the RF, EARF and IPDF and related RP, IEE/EIA and IPDP (as applicable) respectively, are satisfied.

10. The EA shall provide adequate funding for independent monitoring of activities relating to land acquisition, resettlement, environment and other social issues under the Project.

11. The EA shall ensure that the works contractors under the Project incorporate provisions to the effect that the contractor shall (i) carry out HIV/AIDS awareness and prevention programs for labor, (ii) not employ or use children as labor, (iii) disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction, and (iv) follow and implement all statutory provisions on labor including equal pay for equal work, health, safety, welfare, sanitation, and working conditions. The civil works contracts shall also provide for termination of the contract by the EA in case of breach of any stated provisions by the contractors.

Road Maintenance

12. The State shall ensure adequate and timely funds for maintaining the network of roads developed under the Project and the Investment Program in good condition during and after completion of the Project and Investment Program.

Road Safety

13. The EA shall ensure strict adherence by contractors to national and State road safety standards on signage, road markings, roadside structures, and maintenance, as well as to good practices in construction zone traffic management. As part of the mid-term review of the Investment Program, the State and ADB shall conduct a road safety audit and, if necessary, implement any measures needed to revise the institutional mechanisms, financing modalities, and detailed implementing arrangements to improve safety performance.

Performance Monitoring and Reporting

14. Within three months of the approval of the Facility the EA shall develop an Investment Program Performance Monitoring System (IPPMS) for the overall Facility, in consultation with ADB. Similarly within three months of the Effective Date, the EA shall develop a Project Performance Monitoring System (PPMS) for the Project in consultation with ADB. The IPPMS and the PPMS shall monitor and evaluate the impacts, outcomes, outputs and activities in relation to the targets and milestones set for the overall Investment Program and the Project respectively.

15. Notwithstanding the generality of Section 2.08 of the Project Agreement, the State shall provide ADB

(a) within 45 days from the close of each quarter, with quarterly progress reports on all components of the Project and the Investment Program. Such reports shall include information on progress made during the period of review pursuant to the preceding paragraph of this Schedule, a summary financial account for the Project and Investment Program, changes, if any, in the implementation schedule, problems or difficulties encountered and remedial actions taken, anticipated problems and the proposed remedial measures, and work to be undertaken in the following period; and

(b) a Project completion report within 3 months of physical completion of the Project, and a Facility completion report within 3 months of physical completion of the Investment Program under the Facility. These reports shall cover a detailed evaluation of the Project and the Investment Program respectively, covering the design, costs, contractors' and consultants' performance, social and economic impact, economic rate of return, and other details as may be requested by ADB.

Review

16. (a) ADB, the Borrower, and the EA, shall meet regularly as required, to discuss the progress of the Project and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving its objectives and that of the Investment Program.

(b) A mid-term review of (i) the Project shall be undertaken by ADB, the Borrower, and the EA in January 2010 and (ii) Investment Program in the fifth year from the date of approval of the Facility by ADB. The review will focus on issues related to implementation arrangements, and agree on changes, if needed, to achieve the objectives of that Project and of the Investment Program respectively.

Audits

17. The EA shall ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of PWD and of all contractors, suppliers, consultants, and other service providers as they relate to the Project; and

18. Notwithstanding the generality of Section 2.09 of the Project Agreement, the EA shall ensure that an independent private audit firm is engaged (in consultation with ADB) and annual audits of consolidated accounts of the Project including for procurement are conducted, prior to the audit performed by the Comptroller and Auditor General of India.

Infrastructure Management

19. Within not more than 12 months from the Effective Date, the EA shall,

(a) with the assistance of the infrastructure management consultants, establish a 'Road Board' that shall be chaired by Secretary PWD and comprise at least one representative each of - passenger and freight transport providers' associations, state traffic police, state medical department, and any other agency that can provide input to increase the impact of the Investment Program and the Project; and

(b) establish a separate planning unit under Chief Engineer I, with a head of division and technical and administrative staff responsible for reviewing and updating the RDP according to input from the districts and circles, setting performance standards, and monitoring infrastructure performance.

20. The EA shall,

(a) ensure that the Road Board as referred in preceding paragraph of this Schedule, convenes bi-annual meetings, and that the first meeting is convened within 18 months of the Effective Date;

(b) ensure that the PWD staff follow the relevant training provided under the Component B on Infrastructure Management;

(c) ensure that the MIPMS is operationalized for the Project by 1 June 2007 to facilitate (i) interlinking of budgeting and planning through the relational databases; and (ii) the computerization of PWD's accounting and financial reporting system; and

(d) enhance the integrity of the procurement activities of PWD for the Project by introducing better internal controls based on the MIPMS.