

**FRAMEWORK FINANCING AGREEMENT
(IND: SASEC Road Connectivity Investment Program)**

Parties This Framework Financing Agreement (“FFA”) dated 26 February 2014 is between India acting by its President (“India”) and Asian Development Bank (“ADB”).

Investment Program India is committed to and shall implement, through the Ministry of Road Transport and Highways (“MoRTH”) and the States of Manipur and West Bengal, the SASEC Road Connectivity Investment Program, which is an integral part of India’s investment program for regional connectivity (“Regional Road Connectivity Program”), which is in line with the SASEC framework. The Investment Program was endorsed by the SASEC trade facilitation and transport working group meeting held in Singapore on 30 October 2013.

The total cost of the Investment Program over the period fiscal year (FY) 2014/15 to FY 2021/22 is expected to be \$761.6 million equivalent.

Multitranche Financing Facility The Multitranche Financing Facility (“Facility” or “MFF”) is intended to finance individual projects under the Regional Road Connectivity Program, provided that such projects comply with the criteria set out in Schedule 4 to this FFA and that understandings set out in this FFA are complied with.

The Investment Program shall comprise 2 components: (i) road improvement component and (ii) project implementation support and institutional strengthening component.

(i) Road improvement component will rehabilitate and upgrade about 500 km of regional connectivity roads, which is part of Asian Highways, SAARC Highway Corridors or their alternate routes. It will cover both national highways in Manipur and West Bengal and state roads in Manipur. The upgrading will be mainly 2-laning with paved shoulders, together with safety features including construction of flyovers at busy junctions and bypasses for smooth thorough traffic. Some sections will widen to 4 lanes to serve future traffic. Performance-based maintenance will be undertaken for 5 years after the construction. The authority’s engineers and the construction supervision consultants will be engaged for engineering-procurement-construction contracts and item-rate contracts, respectively. In addition, implementation support consultants (ISC) will be engaged to support executing agencies and project implementation units through (i) external monitoring of safeguard implementation, (ii) enhancing road safety, (iii) strengthening financial management and (iv) assisting in submission to ADB of subsequent periodic financing requests (“PFRs”).

(ii) Manipur Public Works Department (“MPWD”) capacity development and project implementation support

component will support capacity development of MPWD together with implementation support especially in strengthening financial management systems and managing larger contracts with performance-based maintenance.

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. ADB has the right to deny any financing request made by India, cancel the uncommitted portion of the Facility, and withdraw India's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of India to request any financing. India has the right not to request any financing under the Facility. India also has the right at any time to cancel any uncommitted portion of the Facility.

India and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other party. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

Financing Plan

The Financing Plan for the Investment Program is summarized below.

Indicative Financing Plan (\$ million)

Source	Total	%
Asian Development Bank	500.0	65.6%
Government of India and State Government of Manipur	261.6	34.4%
	761.6	100.0%

Financing Terms

ADB will provide loans to finance projects under the Investment Program, as and when they are ready for financing, provided India is in compliance with the understandings hereunder, the projects are in line with those same understandings and a related request is made under a PFR. Each loan will constitute a tranche. Any amount under the individual tranche that is cancelled will replenish the Facility by an equivalent amount and will be available for subsequent tranches.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal

agreement for such tranche.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

Commitment charges are not payable on the Facility. These are payable only on financing actually committed by ADB as a loan. ADB rules on commitment charges, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

Amount

The maximum financing amount available under the Facility is five hundred million dollars (\$500,000,000). It will be provided in individual tranches from ADB's ordinary capital resources.¹

Availability Period

The last date on which any disbursement under any tranche may be made will be 30 June 2022. The last financing tranche is expected to be executed no later than 31 December 2019.

Terms and Conditions

India will cause the proceeds of each tranche to be applied to the financing of expenditures of the Investment Program, in accordance with conditions set forth in this FFA and the legal agreements for each tranche.

Execution and Implementation

The Executing Agency for the national highways subprojects will be MoRTH. The Executing Agency for state roads subprojects in the State of Manipur and MPWD capacity development will be the State of Manipur acting through MPWD. The executing agencies will carry out the Investment Program in accordance with the principles set forth in Schedule 1 to this FFA, and as supplemented in the legal agreements for each tranche.

MoRTH will set up a Project Implementation Unit (PIU) in Manipur and West Bengal to implement national highway subprojects. For national highway subprojects in West Bengal, the West Bengal Public Works Department was designated as PIU/Implementing Agency. For national highway subprojects in Manipur, MoRTH will be PIU supported by the Manipur Public Works Department. PIUs will be headed by the Project Director, and will be staffed with qualified officials in the field of road engineering, procurement and contract management, environmental management, resettlement, and accounting.

Periodic Financing Request

India may request, and ADB may agree, to provide loans under the Facility to finance projects under the Investment Program upon the

¹ The Ordinary Operations Loan Regulations applicable to LIBOR-based Loans made from ADB's Ordinary Capital Resources dated 1 July 2001 or as thereafter amended (the "OCR Loan Regulations") will apply to each loan under the Facility, subject to modifications, if any, that may be included under any loan agreement.

submission of PFRs. Each PFR should be submitted by India. ADB will review the PFR, and if found satisfactory will prepare the related legal agreements. India will make available to MoRTH (for the national highways subprojects) and the State of Manipur (for state roads subprojects in the State of Manipur) the proceeds of the loan in accordance with the related PFR and the legal agreements for each tranche.

Each individual tranche will be for an amount of no less than fifty million dollars (\$50,000,000), or equivalent.

The projects for which financing is requested under the PFR will be subject to the criteria set out in Schedule 4 to this FFA, satisfactory due diligence, preparation of relevant safeguards and fiduciary frameworks and other documents, including performance assessment of previous loans and incorporation of lessons into the requested loan.

Until notice is otherwise given by India, each of the Secretary, Additional Secretary, Joint Secretary, Director, or Deputy Secretary in the Department of Economic Affairs of the Ministry of Finance of the Government of India is designated as authorized representatives of India for the purpose of executing PFRs.

**General
Implementation
Framework**

The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA.

Procedures

Tranches to be provided under the Facility will be subject to the following procedures and undertakings:

- (i) India will have notified ADB of a forthcoming PFR in advance of the submission of the PFR;
- (ii) India will have submitted a PFR in the format agreed with ADB;
- (iii) ADB may in its sole discretion, for reasons provided, decline to authorize the negotiation and execution of any legal agreement for a tranche; and
- (iv) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

PFR Information

The PFR will substantially be in the standard form required by ADB , and will contain the following details:

- (i) Loan amount;
- (ii) Description of the project to be financed;
- (iii) Cost estimates and financing plan;
- (iv) Implementation arrangements specific to the projects;
- (v) Confirmation of the continuing validity of and adherence to the understandings in this FFA;
- (vi) Confirmation of compliance with the provisions under previous loan agreement(s) and project agreement(s) as appropriate; and

(vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.

Safeguards	Attached as Schedule 5 to this FFA are references to the Safeguard Frameworks that will be complied with during implementation of the Facility. ADB's safeguard policies in effect as of the signing of legal agreements for a tranche will be applied with respect to the projects financed under such tranche.
Procurement	All goods and services to be financed under the Facility will be procured in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).
Consulting Services	All consulting services to be financed under the Facility will be procured in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).
Advance Contracting and Retroactive Financing	Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting of civil works, equipment and materials, and consulting services and (b) retroactive financing of eligible expenditures for civil works, equipment and materials and consulting services up to 20% of the proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Any approval by ADB of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
Disbursement	Disbursements will be made in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time).
Monitoring, Evaluation, and Reporting Arrangements	The Design and Monitoring Framework for the Facility is set out in Schedule 2 to this FFA, against which the implementation effectiveness will be evaluated. Further details regarding the monitoring, evaluation and reporting arrangements are provided in the Implementation Framework attached as Schedule 3 and the Facility Administration Manual.
Undertakings	The undertakings provided by India are set out in Schedule 6 to this FFA.

INDIA**ASIAN DEVELOPMENT BANK**

By

By

Sheyphali B. Sharan
Director
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SCHEDULE 1 MFF CONSTITUENTS

A. Regional Road Transport Sector Road Map

1. Regional perspective

1. Although South Asia is one of the fastest growing economic regions in the world, intra-regional trade is still only some 2% of the total trade, as compared to 25% in Association of South East Asian Nations (ASEAN), 40% in North American Free Trade Agreement countries, and 63% in European Union.¹ While free trade movements are in the process of being agreed upon and implemented, stimulation of investment in the region, particularly in less developed areas like North Bengal – North Eastern Region (NB-NER) needs to be accelerated through improved road and cross border connectivity.

2. Among South Asia Subregional Economic Cooperation (SASEC) countries, road transport is the dominant mode, accounting for 65%–70% or more of the freight movement in South Asia, and its importance is growing. Most of the trading between India and its neighbors takes place along the land routes. The border between Bangladesh and India has ten important road-based check posts while the Benapole-Petrapole route carries the heaviest traffic by road, accounting for 80% in terms of value and 50% by volume of India's exports to Bangladesh. Between India and Nepal, there are 19 official trading points of which 15 are active and 6 are consistently used, with Birgunj, Bhairahawa and Biratnagar handling 80-85% of the total international traffic of Nepal. The border crossing facilities at Banglabanda in Bangladesh, Fulbari and Panitanki in India, and Kakarvitta in Nepal are for Bangladesh-Nepal bilateral trading. India allows Bhutan to use the border crossing facilities at Phuentsholing-Changrabandha-Burimari for its trade with Bangladesh.

3. Trade between SASEC countries via India to Myanmar and Thailand is currently sea-bound, which not only makes exchanges slow but also prohibitively expensive, especially for the landlocked countries and the NB-NER. Cross-border trade via roads between India and Myanmar, through Moreh/Tamu and Reed, comprises only 1.5% of the total road-based cross-border trade of Myanmar (\$1.1 billion), against about 70% with China and 26% with Thailand. The project intends to reduce such transactions costs substantially, ushering in economies of scale and commercial prosperity. Industry estimates suggest that seamless connectivity with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Asian Highway (AH) Network through the India-Myanmar-Thailand trilateral road would ratchet up India's trade with ASEAN to about US\$100 billion in the next five years.

4. There are various constraints on regional connectivity in South Asia as identified in the BIMSTEC Transport Infrastructure and Logistics Study (BTILS) and SAARC Regional Multimodal Transport Study (SRMTS). The overall quality of road infrastructure requires improvement to the standard for articulated trucks. High axle-load trucks could then be used for more efficient trade. In trade facilitation, full utilization of information technology for automated customs clearance is required in parallel with overall customs modernization and reform. Border crossing point infrastructure also needs to be improved.

5. Inadequate coordination among transport subsectors and intermodal connectivity are principal factors constraining improvement in regional connectivity. In particular, for roads, the

¹ IMF Directions of Trade Statistics. 2013.

last sections linking to border-access points are often left undeveloped because these segments are beyond the extent of domestic major networks and the jurisdiction of many local agencies. Multiagency coordination is required, including agencies relating to defense and foreign affairs.

6. An overall strategic framework for the development of regional transport corridors between and among countries will help promote efficient delivery of required infrastructure and obtain financing from both development partners and the private sector. Such a framework developed under regional cooperation platforms can serve as the basis for planning transport corridor development in the national and regional context. There are four regional platforms involving India to provide strategic directions for regional connectivity and integration in the transport sector: the UNESCAP, SAARC, BIMSTEC and SASEC.

7. UNESCAP promotes the Asian Highway (AH) Network, which includes 141,000 km of standardized roadways traversing 32 Asian countries with linkages to Europe. India has eight roads (AH-1, 2, 42, 43 and 45-48). SAARC identified priority highway corridors under the SAARC Regional Multimodal Transport Study (SRMTS) in 2006. The 16th SAARC Summit in Thimphu in 2010 recognized the importance of development of the communication system and transport infrastructure and transit facilities specially for landlocked countries to promote intra-SAARC trade, the need to strengthen the role of the private sector through appropriate mechanisms such as public-private partnerships, and the need to finalize cross-border transport and transit agreements.² India has nine out of 10 road corridors for SAARC trade. Out of nine corridors, six corridors overlap with Asian Highway Network (AH-1, 2, 42 and 48). BIMSTEC developed in its BIMSTEC Transport Infrastructure and Logistics Study (BTILS) provides policy framework and strategies to upgrade transport infrastructure, improve logistics, and lower transport costs for the BIMSTEC region, especially for South and Southeast Asia connectivity on land transport. The policy framework and strategies for the road sector highlights (i) upgradation of border link roads and (ii) development of missing links with Myanmar, together with the long-term road transport policy issue of fleet modernization and through-transport agreements. All the key international roads on the BIMSTEC corridors should be upgraded to a minimum of AH Class III and progress as soon as possible AH Class II.

8. In line with these regional frameworks, the SASEC transport working group prioritizes the transport projects to be developed. The latest working group meeting held in Singapore in November 2013 endorsed the proposed investment program of the road connectivity in India with SASEC countries and Myanmar. The working group provides close coordination among road development agencies to align the focus of investment, especially ADB-financed projects to leverage the limited resources for maximum synergy.

2. National perspective

9. Transport is a priority sector that needs to be strengthened to achieve the ambitious development targets in India's Twelfth Five Year Plan. The Government of India (GoI) has recognized that the public sector is expected to continue to play an important role in building transport infrastructure. However, because of resource constraints, public investment will have to be supplemented by greater private sector participation and public-private partnerships (PPPs).

10. The Working Group for the 12th Plan has estimated investment needs of Rs 12 trillion in the road subsector. A significant part of the existing national highway network (20,000 km)

² Declaration of the 16th SAARC Summit, Thimphu, paragraphs 22-23 and 27, 28-29 April 2010.

consists of single-lane highways, which need to be upgraded to the 2-lane standard. Since most of these roads have low traffic density, they may not be viable on a PPP basis. Nonetheless, the Government is adopting engineering-procurement-construction (EPC) mode of construction in the 12th Plan which can be financed through a mix of toll revenues, market borrowing, and budgetary support.

11. Gol has also highlighted the need for regional transport cooperation in South Asia through The “Look East Policy” which if followed should lead logically to special efforts to develop road connectivity linking India with its neighbors. The need to develop policies which strengthen mutual dependence with the neighboring economies has also been stressed. A high-level National Transport Development Policy Committee is developing a transport policy to 2030, which will facilitate the expansion of the transport network while minimizing energy use through optimal modal mix.

12. Gol has been undertaking a massive road development program under the National Highway Development Project (NHDP) since 1998. Under the NHDP, an independent entity, the National Highways Authority of India (NHAI) under the Ministry of Road Transport and Highways (MoRTH), is being progressively entrusted to develop and manage about 47,000 km of primary road network. The NHDP brings in new approaches for efficient road management, including maintenance inclusive construction contracts, with greater private financing through PPPs. It introduced Build-Operate-Transfer (BOT) concessions and EPC, which provide opportunities for contractors to improve efficiency and timely delivery of quality roads. The NHDP uses revenues from direct charges (tolls) and indirect user charges from a levy on motor fuel which are deposited into a ring-fenced and non-lapsable Central Road Fund. As of April 2013, out of a total of 47,000 km under NHDP, an estimated 19,945 km have been upgraded to 4-lane capacity and work on upgrading another 12,618 km is in progress.

13. Gol also places importance on developing the non-NHDP network. The non-NHDP network contributes more directly to the government’s objective of regionally balanced and inclusive growth as it is often the lifeline for remote, economically lagging or challenging regions. Gol has been implementing two initiatives as priorities: (i) the Special Accelerated Road Development Program for the North-East and (ii) the Special Program for Development of Roads in the Left Wing Extremism Affected Areas. These two initiatives will collectively develop 5,924 km of non-NHDP national highways and 8,850 km of state roads.

14. In its 12th Five Year Plan (2012-2017), Gol has identified connectivity with the North-East, both within the region and with the far eastern region, including Myanmar, Bangladesh, and Thailand to be one of the focus areas for economic development of the region and expanding economic activities.³ Accordingly, a new highway development program on regional connectivity is now proposed to be taken up in a structured manner.

15. The road sector in India faces several issues: (i) sector reform, (ii) road asset management, (iii) road safety, and (iv) overloading. Gol takes on these issues through various initiatives and support from development partners.

16. **Sector reform for implementation efficiency.** For road development, while several policy and organizational changes have been undertaken at the central and state level, there are some outstanding issues: (i) pre-construction issues pertaining to land acquisition, environmental clearances and utility shifting; (ii) inadequate capacity of road agencies and

³ Paragraph 15.20, page 198, Twelfth Five Year Plan 2012-2017, Economic Sector, Government of India

private sector; and (iii) long-term financial sustainability. The substantial delegation of national highways to NHAI is a major step for efficient implementation, which mainly adopts PPP modality for road development and maintenance. The continued process of restructuring of NHAI and the setting up the National Expressway Authority form part of institutional and organization changes. State governments have also introduced policy measures and set up road development corporations to modernize their road development agencies. These involve streamlining business processes in road development and management. MoRTH has recently started various initiatives, including (i) computerized inventory of non-NHDP road condition data, (ii) use of third-party quality checks, (iii) e-procurement, and (iv) introduction of ERP systems. As part of contracting reform, MoRTH made a policy to adopt EPC contracts, moving away from the traditional item rate contracts which are prone to significant time and cost overruns. An independent regulatory body for the road sector is also planned to be established for tariff determination, service quality regulation, concessionaires' claims assessment, compliance monitoring of concession agreements, and so on to improve PPP project management and encourage more participation in road construction opportunities.

17. Management of road assets. The maintenance requirement of the high density corridors of NHs under construction and post-implementation is provided by the NHAI. However, the non-NHDP national highways, which are maintained by State Public Works Departments (PWDs), are poorly managed, primarily because funds made available to them for maintenance are short of the requirement as per norms. However, GoI is taking on various initiatives to improve road maintenance such as adopting private sector financing for NHDP through PPPs, which includes long term operation and management of roads. For non-PPP roads, the enhanced EPC mode is being adopted, including maintenance during the prolonged five year defect liability period. It also commenced the new policy of undertaking maintenance of national highways on Operation, Maintenance and Transfer (OMT) basis where the concessionaire is responsible for the annual and periodic maintenance during the concession period, together with smooth traffic operation while the Concessionaire is authorized to levy, collect and retain user fees from road users. GoI is also committed to earmark development funds for improving riding quality and strengthening/maintenance of non-tollable roads in addition to the traditional budget for maintenance. The proposed World Bank's National Highways Interconnectivity Improvement Project will support development of an IT-based road information systems for better road asset management. State governments have also started to adopt the same approaches for state roads maintenance. Rural roads under the Prime Minister's Rural Road Development Program have a mandatory budget provision by states for five year maintenance. For ADB financed projects, a road asset management system will be developed for efficient use of maintenance budget to ensure sustainability of the road asset.

18. Safety. As per recent statistics (12th Five Year Plan documents) over 130,000 people are estimated to die annually in road accidents alone and their number is rising. Based on current trends, the number of deaths is expected to reach 150,000 by 2015. The loss to the Indian economy due to fatalities and accident injuries, estimated at 3% of GDP in 1999-2000, is particularly severe as 53.1% of road accident victims were in the age group of 25 to 65 years. Accidents per million train-kilometers have been steadily reduced, e.g., 5.5 per million train kilometers (km) in FY1960 to 0.2 in FY2008. However, there are still a large number of derailments, with human error being a major cause. In 2007, GoI established a high level Committee on Road Safety and Traffic Management, which developed a draft of the first national road safety policy. It recommended establishment of a National Road Safety and Traffic Management Board (NRS&TMB) to implement the policy, which targets implementation of critical actions for road safety, including raising awareness, establishing a road safety information database, providing safer road infrastructure, ensuring safer vehicles, safer drivers,

safety of vulnerable road users, providing road traffic safety education and training, enforcing safety laws, organizing emergency medical services for road accidents, human resources development and research for road safety, strengthening enabling legal, institutional and financial environment for road safety. The recommendation on the establishment of the NRS&TMB is under consideration by the Indian Parliament. MoRTH has developed the road safety cell to play an effective role in national-level road safety matters, which will be supported by the World Bank.

19. **Overloading.** While a lack of funding for maintenance has been a cause of poor management of assets, the lack of efficient enforcement of overloading control has also played a role. GoI has amended the Motor Vehicle Act in May 2012 with special emphasis on overloading, enhances penalties on violators; apart from the driver and vehicle owner, the consignor will also be held responsible for overloading goods and charged for violation of the rules. Furthermore, additional powers have been given to state governments, including creation of authorized testing stations.

B. Strategic Context

20. The ADB sector assistance program evaluation (SAPE)⁴ found that (i) ADB's strategic selection and priority areas of its involvement in the sector were significant and appropriate to the country's needs; (ii) ADB assistance helped to improve the quality and capability of the roads and railway infrastructure; and (iii) ADB added significant value in the areas of policy development, institutional strengthening, encouragement to private sector participation, increasing compliance and public awareness on social safeguards, road safety, and related issues. The main weaknesses were poor project design, limited enforcement of safeguards, and lack of progress in addressing some of the key policy issues, particularly in the railway sector. Project design is being simplified to focus on improving executing agencies' performance in their core functions, and assistance is being provided during the preparatory stage to address the issues of safeguard compliance. Transport infrastructure development is a high priority for GoI, making ADB's strategy of reducing poverty through infrastructure-led growth especially relevant.

21. The goal of ADB transport sector support under the India's country partnership strategy 2013–2017 is to increase the movement of people and goods in a more efficient, safe, sustainable and manner. To achieve this, ADB will support: (i) a multimodal mix of transport network development, including a focus on modes with low-carbon emissions; (ii) institutional and organizational changes to road sector institutions; (iii) connectivity—both subregionally for regional cooperation and integration as well as along economic corridors that link major domestic centers of economic activity with emerging centers of production and employment; (iv) an innovative financing mechanism in transport infrastructure development and maintenance; and (v) social inclusiveness, including safety improvement and gender inclusiveness.

22. The proposed investment program is also relevant to the draft regional cooperation operations business plan (2014–2016), which continues to support the region to realize its full economic and social-development potential, inclusive of enabling South Asia to integrate its cooperation initiatives with neighboring regions.

C. Policy Framework

⁴ ADB. 2007. *Sector Assistance Program Evaluation. Transport Sector in India – Focusing on Results*. Manila.

23. Gol has been initiated various initiatives for road sector reform in national highways, and will continue to implement reform through sector development actions during the implementation of the investment program. The investment will specifically contribute to the following activities and reforms (Table 1).

Table 1 Sector Development Actions

Issues	Actions Being/to be Taken for Sector Development
Regional road connectivity planning	<ul style="list-style-type: none"> • Gol is preparing a new phase of NHDP, targeting 1,000 km, for regional road connectivity focusing on the “last-mile” connectivity. The investment program contributes to about 500 km of this target, including state roads providing alternate routes to national highways. • ADB will provide a technical assistance to prepare the core road development plan in Manipur, focusing on the need of regional connectivity.
Business process	
a) Improve transparency and efficiency of procurement and contracting processes	<ul style="list-style-type: none"> • The investment program, with implementation support consultants, adopts (i) e-procurement systems, (ii) EPC mode of contracts, and (iii) e-payment systems; and support project implementation on safeguard and EPC. • The World Bank will support (i) the roll-out of enterprise resource planning, currently under procurement by MoRTH and (ii) streamlining the interfaces between MoRTH and state PWDs. • ADB supports capacity development in the Manipur PWD for project management through ongoing TAs and further strengthened under MFF, e.g., large scale projects with performance-based maintenance.
b) Improve transparency and efficiency of resource use	<ul style="list-style-type: none"> • MoRTH is currently implementing the enterprise resource planning (ERP) systems, which will be rolled out further with support by the World Bank. • ADB supports capacity development in the Manipur PWD for financial management through ongoing TAs and further strengthened under MFF.
c) Improve quality assurance	<ul style="list-style-type: none"> • The World Bank provides quality assurance mechanism in MoRTH. The ADB ongoing TA provides development of quality assurance systems in Manipur. • Performance-based maintenance has incentive for better quality of roads and maintenance.
Private sector participation	<ul style="list-style-type: none"> • An independent regulatory body for the road sector is also planned to be established for tariff determination, service quality regulation, concessionaires’ claims assessment, compliance monitoring of concession agreements, and so on to improve PPP project management and encourage more participation in road construction opportunities. • ADB has been providing TAs to support capacity development for PPP implementation, including MoRTH.
Maintenance	
a) Secure financing to maintain and rehabilitate the road asset	<ul style="list-style-type: none"> • MoRTH has (i) initiated the use of EPC, including performance-based maintenance for non-NHDP roads which is not viable for PPP; and (ii) commenced the new policy of undertaking maintenance of national highways on Operation, Maintenance and Transfer (OMT) basis. • Gol is also committed to earmark development funds for improving riding quality and strengthening/maintenance of non-tollable roads in addition to

	<p>the traditional budget for maintenance.</p> <ul style="list-style-type: none"> • The investment program will adopt the EPC contracts, including five year performance-based maintenance for national highways. • The World Bank will provide support development of the computerized road asset management systems, which help efficient use of the limited resources. • ADB supports capacity development in the Manipur PWD for road asset management systems through ongoing TAs. • The investment program will adopt the five year performance-based maintenance for state roads.
b) Ensure efficient use of allocated funds	<ul style="list-style-type: none"> • Financial monitoring systems are being introduced, i.e., ERP to be further rolled out with support by the World Bank will support • ADB supports capacity development in the Manipur PWD for quality systems and financial management systems through ongoing TAs. The Investment Program will further strengthen the financial management systems by computerization, etc.
Road safety	<ul style="list-style-type: none"> • MoRTH has developed the road safety cell to play an effective role in national-level road safety matters, which will be supported by the World Bank. • ADB supports capacity development in the Manipur PWD for road safety through ongoing TAs. • The investment program will undertake road safety audit for design, and awareness campaign for local people.
Overloading	<ul style="list-style-type: none"> • The Motor Vehicle Act amended in May 2012 enhances penalties on violators, i.e., the consignor will also be held responsible for overloading. • Additional powers have been given to state governments, including creation of authorized testing stations. • Land customs stations to be developed by the government install weighbridges. • The investment program will improve roads substantially, which will accommodate higher axle-loading.

D. Investment Program and Financing Plan

24. National highway development requires a massive investment. For the NHDP network, the upgrade of about 32,750 km of roads to four or more lanes are targeted during 12FYP (2012-17).⁵ The estimated investment cost for this intervention is Rs3,238 billion (\$53 billion), among which Rs1,667 billion (\$27 billion) is expected to be mobilized from the private sector. For the non-NHDP network to be implemented with state PWDs, 12FYP has identified the need to provide: (i) 200km of 4- or 6-laning, (ii) 11,220km of 2-laning with hard shoulders, (iii) 5,000km of riding quality improvements, (iv) 2,000km of pavement strengthening, (v) 5

⁵ Planning Commission. Government of India. 2013. *Twelfth Five Year Plan (2012-17)*. New Delhi.

bypasses, and (vi) 250 bridges, rail-over-bridges (ROBs) and rail-under-bridges (RUBs). The broad assessment of investment costs for the non-NHDP network with state PWDs is about Rs 570 billion (\$9.3 billion). Out of Rs 570 billion (\$9.3 billion), Rs 74 billion (\$1.2 billion) and Rs 108 billion (\$1.8 billion) are expected to be mobilized from the private sector and the external assistance loan. Table 2 provides the breakdown of the investment requirements by category.

Table 2 Investment Needs for Non-NHDP Network with State PWDs

	Length (km)	Amount (Rs Million)
1. Four-laning/Six-laning	200	31,500
2. Two-laning with hard shoulders	11,220	425,650
3. Riding quality improvement	5,000	37,500
4. Strengthening weak pavement	2,000	30,000
5. Bypasses	5 nos	4,500
6. Bridges, ROBs/RUBs.	250 nos	20,000
7. Miscellaneous	LS	20,000
Total		569,150

Source: 12th Five Year Plan (2012-2017): Report of the Working Group on Central Roads Sector

25. In line with the priority on regional connectivity together with the importance given to the development of non-NHDP network, Gol is preparing a Regional Road Connectivity Program “Fostering Regional Connectivity – Widening/Upgradation of Highways Along the International Borders”. The initial phase targets 1,000 km with the overall financial outlay at about Rs65,000 million (exclusive of performance-based maintenance costs), focusing on upgrading the last-mile connectivity.

26. The investment program will cover the initial phase of the Regional Connectivity Program. The planned investments under the SASEC Road Connectivity Investment Program (“SRCIP”) underline the very nature of the connectivity with the neighboring countries of Bangladesh, Bhutan, Nepal and Myanmar, which was emphasized in the Gol budget speech in March 2013. Subprojects being considered under SRCIP include improvement to roads covering the last-mile of connectivity in the states of West Bengal and Manipur. Additionally, the roadmap of the SRCIP also includes improvement to state roads in Manipur to avoid congestion, taking into account expected increases in international traffic, and provision of alternate routes to national highways for greater access to isolated border areas.

27. NB-NER is in an underdeveloped region of the country. The purpose of improved connectivity to NB-NER for regionally balanced and inclusive growth would be well served by the projects under SRCIP. The projects will not only provide international connectivity with Bangladesh, Bhutan, Nepal and Myanmar, but also bring new wealth to NB-NER, providing alternative optimal routes for NB-NER to reach deep seaports in Bangladesh, India and Myanmar. The traffic is expected to substantially increase due to the access from other Indian states and also from neighboring landlocked countries (Bhutan and Nepal) and especially from Myanmar with the result that NB-NER will be transformed into a regional trading hub. These routes are along the AH 1, 2, and 48 overlapped with SAARC highway corridors. The investment program may cover additional routes to provide regional connectivity among SASEC countries and with Myanmar.

28. The investment program is estimated to cost \$761.6 million, including 5-year performance-based maintenance, taxes and duties, physical and price contingencies, interest and other charges during implementation (Table 3).

Table 3: Investment Program

Source	Amount (\$ million)		
	Tranche 1 (2014)	Tranche 2 (2015)	Total
Base Cost^a			
1. Road Improvement	367.3	265.7	633.0
2. MPWD Capacity Development and Implementation Support	1.0	0.0	1.0
3. 5-Year Performance-based Maintenance	24.1	21.5	45.6
Subtotal (A)	392.4	287.3	679.6
Contingencies^c	23.1	43.2	66.3
Financing Charges During Implementation^d	9.3	6.3	15.6
Total (A+B+C)	424.8	336.8	761.6

^a In 2013 prices, including taxes and duties of about \$88 million to be partially financed from ADB loan resources.

^b Physical contingencies computed at 5% for civil works. Price contingencies computed at 1% for foreign currency and 8% on local currency costs annually; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^c Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5% and applicable maturity based premium of 10 basis points. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

29. It is proposed that ADB provides a multitrance financing facility (MFF) of \$500 million equivalent from ordinary capital resources. Gol and the Government of Manipur will finance the remaining local cost of \$261.6 million equivalent, or about 34.4% of the total cost, including 5-year performance-based maintenance, taxes and duties, remuneration of counterpart staff, office accommodation, and other miscellaneous costs (Table 4).

Table 4: Indicative Financing Plan of the SASEC Road Connectivity Investment Program

Source	Amount (\$ million)			Share of Total (%)
	Tranche 1 (2014)	Tranche 2 (2015)	Total	
A. Asian Development Bank				
Ordinary Capital Resources	300.0	200.0	500.0	65.6%
B. Government and Manipur state government	124.8	136.8	261.6 ⁶	34.4%
Total	424.8	336.8	761.6	100.0%

Source: Asian Development Bank estimates.

30. Tranche 1 will adopt the sector modality to finance (i) upgrading of road subprojects totaling about 300 km, including implementation support, given the highest priority due to their significant regional impacts, and (ii) MPWD capacity development and implementation support. The road subprojects include (i) 37km of AH-2 connecting Nepal, Bangladesh and India, and 97km of AH-48 connecting Bhutan, India and Bangladesh; and (ii) about 180km of state roads extending connection with Myanmar. The first 2 subprojects (AH-2 and AH-48), which have the most challenging features, have been appraised. Other roads subprojects will be appraised for ADB approval during implementation of Tranche 1, following the selection criteria and approval process (as per Schedule 4 of FFA). All subproject roads are of a similar nature to the last-mile connectivity.

31. Table 5 provides a list of possible subprojects other than AH-2 and AH-48 under the investment program.

⁶ Including five-year performance-based maintenance, land acquisition, part of taxes and duties, remuneration of counterpart staff, office accommodation, interest and financing charges during implementation, and other miscellaneous costs.

Table 5 Possible Subprojects Under the Investment Program

Agency	Name of Road	Area	Project Length
MoRTH	Mechi River Bridge	West Bengal	0.6 Km
MoRTH	AH-1: Imphal-Moreh Road (NH39)	Manipur	4-laning up to Pallel and improvement from Pallel to Moreh
MPWD	Imphal-Moreh Alternate Road (Wangjing-Heirok-Machi-Khudengthabi)	Manipur	67.50 Km
MPWD	Imphal Ring Road	Manipur	34.34 Km
MPWD	Impahl-Kanchup-Tamenglong-Tousem-Haflong	Manipur	87.50 Km

SCHEDULE 2
DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Increased domestic and regional trade through NB-NER</p>	<p>By 2025 Growth rate of traffic along the project corridor increased by 20% (2013 baseline: 4.5% in WB and 5.7% in Manipur)</p> <p>Growth rate of cross-border traffic increased by 40% (2013 baseline: 3 %)</p>	<p>MoRTH and state road agencies reports of road conditions and maintenance needs</p> <p>Border post statistics of customs</p>	<p>Assumptions Various government development activities effectively coordinated with road sector investment.</p> <p>Cross-border transport procedures are streamlined.</p>
<p>Outcome Improved road connectivity and efficiency of the NB-NER international trade corridor</p>	<p>By 2022 Average daily vehicle-kilometers in the first full year of operations is 1,936,000.</p> <p>Average travel time along project major trade roads reduced by 40% (2013 baseline: 1.7 hours along Asian Highway 2, 3.5 hours along Asian Highway 48, 3.0 hours along Imphal–Moreh)</p> <p>Fatal accident rate along the project roads reduced by 30% of the level in 2012 (2012 baseline: Fatal accidents per 100 km— 58 on Asian Highway 2, 46 on Asian Highway 48, 12 on Asian Highway 1, and 24 on state roads in Manipur)</p>	<p>Post-implementation measurement by consultants, MoRTH and state road agencies.</p> <p>Post-implementation measurement by consultants, MoRTH and state road agencies.</p> <p>Accident data collected by MoRTH, state road agencies and police</p>	<p>Assumptions The government provides adequate funds for operation and maintenance on time.</p>
<p>Outputs 1. Improved roads for regional connectivity</p> <p>2 Developed capacity and supported project implementation for MPWD</p>	<p>By 2021 500 km roads upgraded and maintained using performance-based contracts</p> <p>Civil works contractors comply with core labor standards.</p> <p>2 workshops covering</p>	<p>For all indicators: Monitoring reports of MoRTH and state road agencies</p>	<p>Assumptions Availability of key construction materials and equipment is stable.</p> <p>The approved counterpart funding is released on time.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>project implementation and financial management for 10 MPWD staff completed</p> <p>Awareness-raising seminars delivered for contractors and construction workers on health and social impacts (including HIV/AIDS)</p>		
<p>Activities with Milestones</p> <p>1. Improved roads for regional connectivity</p> <p>1.1 Engage construction supervision consultants for initial packages by September 2014</p> <p>1.2 Complete bidding process for civil works for initial packages by September 2014</p> <p>1.3 Complete construction of all civil works by end of 2021</p> <p>2. Developed capacity and supported project implementation for MPWD</p> <p>2.1 Complete staffing of PIUs by January 2014</p> <p>2.2 Recruit consultants by September 2014</p> <p>2.2 Complete 2 workshops covering project implementation and financial management for MPWD staff by 2016</p>		<p>Inputs</p> <p>ADB: \$500.0 million</p> <p>Government of India: \$242.0 million</p> <p>Government of Manipur: \$19.6 million</p>	

ADB = Asian Development Bank, km = kilometer, MoRTH = Ministry of Road Transport and Highways, MPWD = Manipur Public Works Department, North Bengal - Northeastern Region = NB-NER.
Source: Asian Development Bank

SCHEDULE 3 IMPLEMENTATION FRAMEWORK

A. Project Management

1. MoRTH will be the Executing Agency (EA) for the national highway subprojects under the MFF. A Chief Engineer in each region will be in charge of overseeing the implementation of national highway subprojects in its respective region.
2. MoRTH will set up a Project Implementation Unit in Manipur and West Bengal to implement national highway subprojects. For national highways subprojects in West Bengal, the West Bengal Public Works Department (WBPWD) will be PIU/Implementing Agency. For national highway subprojects in Manipur, MoRTH will be PIU supported by the Manipur Public Works Department (MPWD). PIUs will be headed by the Project Director, and will be staffed with qualified officials in the field of road engineering, procurement and contract management, environmental management, resettlement, and accounting.
3. For state road subprojects in Manipur, Manipur acting through the MPWD will be the EA, which will be implemented by a PIU headed by the Project Director.
4. The EAs will be supported by the Authority's Engineer for EPC contracts, and the construction supervision consultants for item-rate contracts. Also, the MFF will provide implementation support consultants (ISC), comprising experts in (i) financial management, (ii) project management, (iii) road safety, (iv) resettlement, (v) environment, and (v) reporting and scheduling. An agency for external monitoring on wildlife conservation activities will be engaged.
5. The steering committee, chaired by Joint Secretary, MoRTH will monitor project implementation and provide support for inter-ministerial coordination. Department of Economic Affairs represents India under the SASEC framework.

B. Fund Flow

6. For the national highway subprojects, the MoRTH Regional Office (RO) at Guwahati and Kolkata will be acting as administrative authority of MoRTH and Regional Pay and Accounts Office (RPAO) at Guwahati and Kolkata will act as the payment authority for the projects under the Investment Program. MoRTH will allocate necessary funds to the MoRTH RPAO in Guwahati and Kolkata. For the eligible ADB loan portion, RPAO Guwahati and Kolkata will prepare withdrawal applications and send them to Gol for reimbursement from ADB. The fund release from MoRTH to RPAO is through budgetary allocation in accordance with internal rules and regulations of MoRTH. All payments for expenditure incurred on project works will be centralized at the concerned RPAO. Bills in respect of works and invoices will be approved by the concerned PIUs in PWDs in the states of Manipur and West Bengal and submitted to the concerned RO of MoRTH, which, after due verification, will forward them to the RPAO for payments directly to the concerned contractor, consultant and/or supplier.
7. The funds flow of state road subprojects in Manipur from Gol to the state government of Manipur will be released based on reimbursement procedure. For the ADB loan portion, Statement of Expenditure will be prepared by MPWD and the disbursement application is sent to Ministry of Finance. The fund released from ADB will be credited to Gol Bank Account, which will be transmitted to Finance Department, Manipur. The Finance Department releases the budget to the MPWD, and MPWD makes the payment to contractors, consultant and suppliers.

C. Accounting, Auditing, and Reporting

8. India, MoRTH and Manipur shall ensure that proper accounts and records are maintained and audited in a timely manner to adequately identify the use of loan proceeds in such manner and details as may be specified under each Loan Agreement and Project Agreement(s).

9. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB website. The Audit Management Letter and the entity level Audited Financial Statements will not be disclosed.

D. Project Performance Monitoring and Evaluation

10. Within 3 months from the effective date of the first loan under the facility, MoRTH shall develop a Project Performance Monitoring System (PPMS) for the project. Similarly, Manipur shall develop PPMS within 3 months from the effective date of the loan to be executed by Manipur. The PPMS shall monitor and evaluate the impacts, outcomes, outputs and activities in relation to the targets and milestones set for the Project

11. MoRTH and Manipur shall provide ADB:

- (a) within 45 days from the close of each quarter, with quarterly progress reports on the respective 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, 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 completion of the project within 3 months of the completion of the Investment Program. Facility completion report will be prepared by MoRTH based on the information provided by each PIU of projects under the Investment Program. These reports shall cover a detailed evaluation of the projects 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.

E. Project Review

12. ADB, India, MoRTH, and Manipur 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 the objectives and that of the Investment Program.

13. ADB, India, MoRTH, and Manipur shall undertake a mid-term review of the Project between 24 and 30 months. The review will focus on issues related to implementation arrangements, and agree on changes, if needed, to achieve the objectives of the projects and of the Investment Program respectively.

SCHEDULE 4 SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECTS

A. Selection Criteria

1. Each subproject under the SASEC Road Connectivity Investment Program will meet the following selection criteria and approval process.

- (i) The subproject will have substantial regional impacts, including those identified in by the UNESCAP Asian Highways (AH) Network, SAARC Highway Corridors and BIMSTEC; their alternate and/or extended routes; and roads of having substantial regional cooperation and integration (RCI) impacts.
- (ii) The subproject will be technically feasible, least-cost and a detailed report prepared supporting such feasibility;
- (iii) The subproject will be economically feasible and financially sustainable, and its estimated economic internal rate of return equal to or higher than 12%, based on the economic analysis to be conducted in accordance with ADB's *Guidelines for the Economic Analysis of Project*;
- (iv) The subproject will also be environmentally and socially sound and include measures to mitigate any possible environment and social impacts in accordance with the safeguard frameworks¹ prepared and Safeguard Policy Statement (SPS) 2009. For each subproject, a poverty and social analysis will be conducted in accordance with ADB's guidelines on poverty and social assessment. Similarly, an environmental assessment will be carried out for each project in accordance with the SPS 2009.
- (v) Sufficient counterpart funding has been allocated to implement the project timely and efficiently in accordance with the overall implementation schedule; and;
- (vi) For each project, all necessary Government approvals will be obtained, including MoRTH, MoEF, State Pollution Control Boards, and other relevant agencies, as applicable.

B. Approval Procedure

2. All projects will be prepared and processed in accordance with the procedures set out below.

- (i) MoRTH will select and/or endorse a possible project from priority regional connectivity roads. MoRTH and/or Manipur PWD will then conduct a feasibility study for the project including its cost estimate, technical and economic analysis. MoRTH and/or Manipur PWD will also prepare (a) an initial poverty and social assessment (IPSA) and fill out a checklist for (b) involuntary resettlement; (c) indigenous people; and (d) complete the Rapid Environmental Assessment (REA) checklist for screening of environmental issues.

¹ Environment Assessment and Review Framework (EARF), Resettlement Framework (RF) and IPPF (Indigenous Peoples Planning Framework (IPPF)).

- (ii) MoRTH and/or Manipur PWD will submit (a) appraisal reports/project selection and prioritization reports, (b) IPSA, and (c) completed REA checklist to ADB for further review, to obtain necessary guidance with regard to the extent of relevant analysis, assessment or plans.
- (iii) ADB will review the reports submitted by MoRTH and/or Manipur PWD, if ADB finds that a proposed project is not likely to satisfy the eligibility criteria and/or that the agreed procedures, ADB will advise MoRTH and/or Manipur PWD either (a) to modify the project proposal in a manner that will make it eligible for approval; or (b) that the project must be rejected. If a project is rejected, DEA may propose a replacement project. If the ADB finds that the proposed project is likely to satisfy the eligibility criteria and procedures, ADB will advise whether, based on the resettlement checklist a Resettlement Plan is required, and based on the indigenous people checklist, whether an indigenous peoples plan (IPP) is required. Similarly, based on the completed REA checklist it will be determined whether an Environmental Impact Assessment (EIA) report will be required (for environment category A projects) or an Initial Environmental Examination (IEE) will be required (for environment category B projects).
- (iv) Following the review described in (iii) by MoRTH, Manipur PWD and/or ADB, MoRTH and/or Manipur PWD will conduct preliminary design and/or detailed design or other similar design works and, based on those works, develop a Resettlement Plan (if required) and IPP (if required), and prepare an EIA or IEE including an environmental management plan (EMP).
- (v) MoRTH and/or Manipur PWD will disclose the Resettlement Plan, IPP and draft EIA/IEE to the affected persons and incorporate the results of the consultation.
- (vi) The reports of preliminary design/other design work, including the Resettlement Plan (if required), IPP (if required) and EIA/IEE, will be submitted by MoRTH and state road agencies in light of the relevant safeguard frameworks and following examples provided by the ADB based on the appraisal of the sample project.
- (vii) MoRTH and/or Manipur PWD will send the relevant safeguard documents (the Resettlement Plan [if required], IPP [if required] and EIA/IEE) to ADB for final review and approval. After completion of detailed engineering designs if there is a need to prepare a revised (i) resettlement plan, (ii) IPP, and (iii) EIA/IEE, then it will be submitted to ADB for review before any contracts are awarded.
- (viii) After reviewing the appraisal reports and relevant safeguard documents, if ADB finds that the proposed project does satisfy the eligibility criteria and procedures, ADB will approve the project. If ADB finds that the proposed project does not satisfy the eligibility criteria and procedures, or does not comply with ADB's safeguard policies, ADB may (a) advise MoRTH and/or Manipur PWD on remedial actions to be taken for the proposed project in order for it to comply or (b) reject the project.

SCHEDULE 5 SOCIAL DIMENSION AND SAFEGUARD REQUIREMENTS

1. India will ensure, cause the Ministry of Road Transport and Highways (MoRTH), the Manipur Public Works Department (MPWD) and the West Bengal Public Works Department (WBPWD) to ensure, that all the requirements prescribed in this Schedule, and the following social and safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which ADB has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the components/projects under the Facility.

- (i) Environmental Assessment and Review Framework, dated February 2014,
- (ii) Resettlement Framework dated February 2014,
- (iii) Indigenous Peoples Planning Framework dated February 2014,
- (iv) Two Combined Resettlement Plan and Indigenous Peoples Plan for AH-2 and AH-48 dated January 2014, and
- (v) Environmental Impact Assessment for AH-2 and AH-48, (1st draft on 9 August 2014) January 2014.

2. The frameworks cover the Facility-specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the components or projects likely to be financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting components, projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iv) the institutional arrangements (including budget and capacity building requirements), grievance redress mechanisms and the client's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed by India, MoRTH, MPWD and WBPWD and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's Safeguard Policy Statement (2009), as amended from time to time.

4. In all cases, for each new PFR preparation, India will cause MoRTH, MPWD and WBPWD to review ongoing projects to check on the status of compliance with the social and environment safeguard plans and frameworks, and submit due diligence reports of the earlier PFR to ADB, together with other required safeguard documents and semiannual monitoring reports relevant to the components/projects included in the tranche being processed. In any case if significant involuntary resettlement and environment issues are identified in the course of the implementation and review of ongoing projects, a corrective action plan will be prepared to address such issues and submitted to ADB.

5. Semi-annual monitoring reports that describe the progress of the implementation of resettlement and environmental activities and any compliance issues and corrective actions (if any) will be submitted to ADB.

SCHEDULE 6 UNDERTAKINGS

India shall ensure, and shall cause MoRTH and the States to ensure the following:

1. MoRTH and the States remain committed to implementation of the Investment Program and the Regional Road Connectivity Program and achieve their respective objectives in a timely manner.
2. In the event of any change in the Regional Road Connectivity Program, India will, and will cause MoRTH and the States to, assess with ADB the potential impact on the Investment Program and evaluate any change in scope, amendment, or continuation, as appropriate, of the Investment Program.
3. MoRTH and the States shall employ sufficient staff for the duration of the Investment Program with adequate and relevant expertise in the field of project management, financial management, engineering, construction supervision, procurement, and environmental and social safeguards implementation; MoRTH and the States shall ensure that all subprojects are implemented in accordance with the detailed arrangements set forth in the FAM, and if applicable, any PAM that may be prepared for any portion of the Investment Program and Facility. Any subsequent change to the FAM (or PAM) shall become effective only after approval of such change by India and ADB.
4. MoRTH and the States shall provide all counterpart funds, land and facilities required for timely and effective implementation of subprojects under the Investment Program, including, without limitation, any funds required (i) to sustain the facilities created or rehabilitated under the subprojects; (ii) to mitigate unforeseen environmental and social impacts; and (iii) to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances.
5. All subprojects are selected and approved in accordance with the selection criteria and approval process set out in Schedule 4 of this FFA and all documents forming the basis for screening, selection and processing of subprojects are made available to ADB upon request and are kept available for such purposes for a minimum period of five years from the date of the relevant project completion report.
6. Works contracts (i) follow all applicable labor laws of India and the States and that these further include provisions to the effect that contractors (a) carry out HIV/AIDS awareness programs through the ISC for labor and 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 in project influenced areas; (b) follow and implement all statutory provisions on labor (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions; and (c) encourage increased employment of women and local poor and disadvantaged persons for construction purposes, provided that the requirements for efficiency are adequately met. The contracts will include clauses for termination in case of any breach of the stated provisions by the contractors.
7. MoRTH and Manipur shall announce the Investment Program and business opportunities associated with the Investment Program on each website. In addition, the website shall at least disclose the following information in relation to goods and services procured for the

Investment Program: (i) the list of participating bidders; (ii) the name of the winning bidder; (iii) the amount of the contracts awarded; and (iv) the goods and services procured.

8. India shall cause MoRTH and the States, and/or through independent auditors, to audit fund withdrawals and settlements.

9. Towards smooth implementation of subprojects, India will cause MoRTH and the States to ensure that grievance(s) if any from stakeholders, relating to subproject implementation or use of funds are addressed effectively and efficiently.

10. India will cause MoRTH and the States to ensure that the implementation of the Subprojects under the Investment Program and Facility in compliance with the undertakings and assurances concerning Environmental Safeguards, Indigenous Peoples Safeguards, Involuntary Resettlement Safeguards, gender policy, labor standards, and prohibited investments as set out in Schedule 5 of this FFA and the loan agreement for each tranche under the Investment Program.

11. India will cause MoRTH and the States to ensure, that all subprojects and project facilities under the Facility are assessed, designed, implemented, constructed, operated, maintained, and monitored in accordance with all applicable environmental laws, rules, and regulations of India, the state, ADB's SPS; and the IEE, and the EARF, as applicable.

12. MoRTH and the States will establish a project performance monitoring system in line with the targets, indicators set in the DMF for the Investment Program. The baseline data for outputs and outcome indicators of the Investment Program DMF and each tranche project DMF will be disaggregated by sex as well as poverty level.

13. India, MoRTH and the States will (i) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to Investment Program; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

14. India will cause MoRTH and the States to ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Subprojects.

15. India will cause MoRTH and the States and the project implementation units or agencies to ensure the implementation of the sector development actions as set out in Section C of the FFA.