
LOAN NUMBER 3118-IND

LOAN AGREEMENT
(Ordinary Operations)

(SASEC Road Connectivity Investment Program – Tranche 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 26 MARCH 2015

IND 47341

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 26 March 2015 between INDIA, acting by its President ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 26 February 2014 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the SASEC Road Connectivity Investment Program;

(B) by a periodic financing request dated 26 February 2014, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out (i) by MoRTH and West Bengal (each as hereinafter defined) for Component A as described in paragraph 2 of Schedule 1 to this Loan Agreement, and (ii) by Manipur through MPWD (each as hereinafter defined) for Components B and C as described in paragraph 2 of Schedule 1 to this Loan Agreement, and for this purpose the Borrower will make available to MoRTH and MPWD the applicable portions of the proceeds of the loan provided for herein upon terms and conditions mutually agreeable to ADB and the Borrower;

(D) 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 Agreements of even date herewith between (i) ADB on the one part and MoRTH and West Bengal on the other part, and (ii) ADB and Manipur.

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 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

- (a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium. (a)
The Borrower shall pay a commitment charge on the

unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by

multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

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

(a) "Component" means a component to the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(d) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower through the relevant EA, and ADB, and incorporated by reference in the FFA;

(e) "Environmental Management Plan" or "EMP" means each environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;

(f) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1 and Appendix 4 (as applicable) of the SPS;

(g) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(h) "FAM" means facility administration manual dated February 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(i) "FFA" means the framework financing agreement dated 26 February 2014 between ADB and the Borrower with respect to the facility;

(j) "Financing Arrangements" means the arrangements between the Borrower and Manipur as per current policy of the Borrower, and acceptable to ADB;

(k) "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;

(l) "Government Contribution" means the amount which the Borrower has agreed to make available from its own resources for the purposes of the Project;

(m) "Initial Environmental Examination" or "IEE" means each initial environmental examination, including any update thereto, prepared and submitted by the Borrower through the relevant EA pursuant to the requirements set forth in the EARF and cleared by ADB;

(n) "Indigenous Peoples Plan" or "IPP" means each indigenous peoples plan for a Subproject, including any update thereto, prepared and submitted by the Borrower through the relevant EA pursuant to the requirements set forth in the IPPF and cleared by ADB;

(o) "Indigenous Peoples Planning Framework" or "IPPF" means the indigenous peoples planning framework for the Investment Program, including any update thereto, agreed between the Borrower through the relevant EA, and ADB, and incorporated by reference in the FFA;

(p) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3 and Appendix 4 (as applicable) of the SPS;

(q) "Investment Program" means the SASEC Road Connectivity Investment Program;

(r) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2 and Appendix 4 (as applicable) of the SPS;

(s) "ISC" means the implementation support consultants engaged by the Project Executing Agencies;

(t) "km" means kilometers;

(u) “Loan” means the amount described in Section 2.01 of this Loan Agreement;

(v) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(w) “Manipur” means the State of Manipur;

(x) “MoRTH” means the Borrower’s Ministry of Road Transportation and Highways;

(y) “MPWD” means the Manipur Public Works Department;

(z) “NB-NER” means the North Bengal and Northeastern Region of India;

(aa) “Non-Road Subproject” means a subproject under the Project that involves an activity under Component B as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(bb) “PFR” means the periodic financing submitted or to be submitted by the Borrower for the purposes of each loan under the facility and for the purposes of this Loan Agreement means the periodic financing request dated 26 February 2014;

(cc) “PIUs” means the Project implementation units or implementation agencies established by each Project Executing Agency for the purpose of implementing a Roads Subproject;

(dd) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(ee) “Procurement Plan” means the procurement plan for the Project dated 26 February 2014 and agreed between the Borrower and ADB and included in the FAM, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(ff) “Project Agreements” means the agencies of even date herewith between (i) ADB on the one part and MoRTH and West Bengal through WBPWD on the other part, and (ii) ADB on the one part and Manipur through MPWD on the other part;

(gg) “Project Executing Agency” for the purposes and within the meaning of the Loan Regulations means each of the entities indicated as follows or any legal successors thereto acceptable to ADB: (i) MoRTH for Component A as described in paragraph 2 of Schedule 1 to this Loan Agreement; and (ii) Manipur through MPWD for Components B and C as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(hh) “Resettlement Framework” or “RF” means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower through the relevant EA, and ADB, and incorporated by reference in the FFA;

(ii) "Resettlement Plan" or "RP" means each resettlement plan a Subproject, including any update thereto, prepared and submitted by the Borrower through the relevant EA pursuant to the requirements set forth in the RF and cleared by ADB;

(jj) "Roads Subproject" means a subproject under the Project that (i) meets the Roads Subproject Selection Criteria, and (ii) involves an activity under Components A or B as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(kk) "Roads Subproject Selection Criteria" means the selection criteria for roads subprojects agreed between the Borrower and ADB in Schedule 4 of the FFA;

(ll) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower through the relevant Project Executing Agency to ADB that describes progress with implementation of, and compliance with, the EMP, the RP and the IPP (as applicable), including any corrective and preventative actions;

(mm) "Scheduled Tribe" means such tribes or tribal communities or parts of groups within tribes or tribal communities as are deemed under Article 342 of the Constitution of India to be Scheduled Tribes in the States;

(nn) "SPS" means ADB's Safeguards Policy Statement (2009);

(oo) "State" means any or all of Manipur and West Bengal, as the context may require;

(pp) "State AIDS Control Society" means the governmental agency established in each State to promote AIDS awareness and control and prevention measures;

(qq) "Subproject" means a subproject that is found eligible for financing under the Project as included in the Project (i) during Project processing, and (ii) if a Roads Subproject, based on compliance with the Roads Subproject Selection Criteria;

(rr) "Tranche 2" means Tranche 2 under the Investment Program;

(ss) "WBPWD" means the West Bengal Public Works Department;

(tt) "West Bengal" means the State of West Bengal; and

(uu) "Works" means construction 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 three hundred million Dollars (\$300,000,000) 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 principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth 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:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 September and 15 March 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 subsection (a) hereinabove 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 (i) make the proceeds of the Loan available to the relevant Project Executing Agency upon terms and conditions mutually agreeable to ADB and the Borrower and (ii) cause the relevant Project Executing Agency to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the relevant Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has 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 items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2022 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 Project Executing Agencies to carry out the Project with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and roads development and maintenance practices.

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

Section 4.02. The Borrower shall make available to the Project Executing Agencies and PIUs, promptly as needed, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan and the Government Contribution, 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 enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.05. In so far as it relates to the Project, the Borrower shall take all actions which shall be necessary on its part, including provision of funds (including any residual funds for completion of Project contracts), facilities, services and other resources necessary or appropriate, to enable the Project Executing Agencies to perform their respective obligations under the Project Agreements, and for timely completion of the Project, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) In so far as it relates to the Project, 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) In so far as it relates to the Project, no rights or obligations under the Financing Arrangements shall be assigned, amended, abrogated or waived without prior notice to ADB.

ARTICLE V

Effectiveness

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

ARTICLE VI

Miscellaneous

Section 6.01. 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 Numbers:

(91-11) 2309-2477
(91-11) 2309-2511.

For ADB

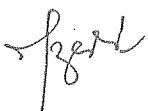
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

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 as of the day and year first above written and to be delivered at the principal office of ADB.

INDIA

By  _____
TARUN BAJAJ
Joint Secretary (MI)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By  _____
M. TERESA KHO
Country Director

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is improved road connectivity and efficiency of the NB-NER international trade corridor.

2. The Project shall: (a) increase capacity of key sections of the international trade corridor in NB-NER; and (b) improve capacity of MPWD in project management and implementation. The specific components shall be:

Component A: *National Highways Road Improvements*

Construction of two national highways subprojects totaling about 135km in West Bengal, including implementation support, given the highest priority due to their significant regional cooperation and integration impacts. The two national highways subprojects include (i) about 37km of AH-2 connecting Nepal, Bangladesh and India; and (ii) about 97km of AH-48 connecting Bhutan, India and Bangladesh.

Component B: *State Roads Improvements*

Construction of state roads subprojects totaling about 130km in Manipur extending to Myanmar, including implementation support.

Component C: *MPWD Development and Implementation Support*

MPWD capacity development and implementation support, including support for MPWD preconstruction activities.

3. All components shall be assisted through the provision of Consulting Services as applicable.

4. The Project is expected to be completed by 31 December 2021.

SCHEDULE 2

Amortization Schedule

(SASEC Road Connectivity Investment Program - Tranche 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.

| Payment Due | Installment Share (Expressed as a %) |
|-------------------|---|
| 15 September 2019 | 2.500000 |
| 15 March 2020 | 2.500000 |
| 15 September 2020 | 2.500000 |
| 15 March 2021 | 2.500000 |
| 15 September 2021 | 2.500000 |
| 15 March 2022 | 2.500000 |
| 15 September 2022 | 2.500000 |
| 15 March 2023 | 2.500000 |
| 15 September 2023 | 2.500000 |
| 15 March 2024 | 2.500000 |
| 15 September 2024 | 2.500000 |
| 15 March 2025 | 2.500000 |
| 15 September 2025 | 2.500000 |
| 15 March 2026 | 2.500000 |
| 15 September 2026 | 2.500000 |
| 15 March 2027 | 2.500000 |
| 15 September 2027 | 2.500000 |
| 15 March 2028 | 2.500000 |
| 15 September 2028 | 2.500000 |
| 15 March 2029 | 2.500000 |
| 15 September 2029 | 2.500000 |
| 15 March 2030 | 2.500000 |
| 15 September 2030 | 2.500000 |
| 15 March 2031 | 2.500000 |
| 15 September 2031 | 2.500000 |
| 15 March 2032 | 2.500000 |
| 15 September 2032 | 2.500000 |
| 15 March 2033 | 2.500000 |
| 15 September 2033 | 2.500000 |

| Payment Due | Installment Share (Expressed as a %) |
|-------------------|---|
| 15 March 2034 | 2.500000 |
| 15 September 2034 | 2.500000 |
| 15 March 2035 | 2.500000 |
| 15 September 2035 | 2.500000 |
| 15 March 2036 | 2.500000 |
| 15 September 2036 | 2.500000 |
| 15 March 2037 | 2.500000 |
| 15 September 2037 | 2.500000 |
| 15 March 2038 | 2.500000 |
| 15 September 2038 | 2.500000 |
| 15 March 2039 | 2.500000 |
| TOTAL | 100.000000 |

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.

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 items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure 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 and in consultation with 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 allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to and in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works, Goods and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (SASEC Road Connectivity Investment Program – Tranche 1) | | | | |
|--|---------------------|--|--------------------|---|
| Number | Item | Total Amount Allocated for ADB Financing (\$) | | Basis for Withdrawal from the Loan Account |
| | | Category | Subcategory | |
| 1 | Works | 276,900,000 | | |
| 1A | MoRTH | | 129,000,000 | 76.2% of total expenditure |
| 1B | Manipur | | 147,900,000 | 100% of total expenditure |
| 2 | Consulting Services | 8,600,000 | | |
| 2A | MoRTH | | 2,500,000 | 100% of total expenditure |
| 2B | Manipur | | 6,100,000 | 100% of total expenditure |
| 3 | Unallocated | 14,500,000 | | |
| | Total | 300,000,000 | | |

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the following method of procurement: International Competitive Bidding.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Conditions for Award of Contract

5. The Borrower shall ensure or cause the Project Executing Agencies to ensure that no Works contract is awarded for a Subproject which involves environmental impacts until the relevant Project Executing Agency has incorporated the relevant provisions from the EMP into the Works contract.
6. The Borrower shall ensure or cause the Project Executing Agencies to ensure that no Works contract is awarded for a Subproject which involves involuntary resettlement impacts until the relevant Project Executing Agency has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP.
7. The Borrower shall ensure or cause the Project Executing Agencies to ensure that no Works contract is awarded for a Subproject which involves impacts on indigenous peoples until the relevant Project Executing Agency has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP.
8. The Borrower shall ensure or cause the Project Executing Agencies to ensure that no commencement of Works is allowed under any Works contract under any Subproject which involves environmental impacts and requires environmental clearances, until the relevant Project Executing Agency has obtained the final approval of (a) the IEE from ADB; and (b) environmental clearance including approval of the environmental assessment report, from the State Environmental Impact Assessment Authority.

Consulting Services

9. Except as ADB may otherwise agree, the Borrower shall cause the Project Executing Agencies to apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

10. (a) Each Project Executing Agency shall 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) Each Project Executing Agency shall 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. Each Project Executing Agency shall 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.

ADB's Review of Procurement Decisions

12. 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 and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project

Execution and Implementation Arrangements

1. The Borrower, the States and the Project Executing Agencies shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail. The Borrower shall cause the Project Executing Agencies to undertake all activities as included in this Loan Agreement.
2. The Borrower shall cause the Project Executing Agencies to ensure that the PIUs employ sufficient staff for the duration of the Project with adequate and relevant expertise. The Borrower shall cause the Project Executing Agencies to keep the PIUs equipped with the necessary office space, facilities, equipment and support staff, and cover the costs of social impact mitigation, utility relocation, and road maintenance through annual budget allocations.
3. The Borrower shall cause MoRTH to assist the PIUs in obtaining approvals and clearances for timely Project execution under the applicable laws and regulations of the Borrower and the relevant State.
4. The States and the Project Executing Agencies shall ensure that towards smooth implementation of the Project, grievances if any from stakeholders relating to any Subproject implementation or use of funds under the Project are addressed effectively and efficiently.

Counterpart Support

5. The Borrower shall cause each Project Executing Agency to provide, as necessary, respective counterpart, staff, land, facilities, and counterpart funding required for timely and effective implementation of the Project including, without limitation, any funds required (a) to meet any shortfall between cost and revenues for the operation and maintenance of the facilities created or rehabilitated under the Project; (b) to mitigate unforeseen environmental and social impacts; (c) to meet additional costs arising from utility relocation, design changes, price escalation in construction costs and/or unforeseen circumstances; and (d) for maintenance of the road facilities to be constructed and/or upgraded under the Project. The Borrower shall, and shall cause the relevant Project Executing Agency to, make the resources thus required available on an annual basis for each fiscal year.
6. The Borrower shall cause each Project Executing Agency to ensure that the ISCs continue to assist with the implementation of the provisions of the EARF, IEE, IPPF, RF, and the EMPs, IPPs and RPs for all Subprojects.

Project Implementation Units

7. The Borrower shall cause each Project Executing Agency to ensure that the PIUs implement the Subprojects and carry out necessary coordination with the concerned departments in the State to ensure the smooth implementation of the Subprojects.

Subprojects Selection Criteria and Approval Process

8. The States and the Project Executing Agencies shall ensure that all Subprojects meet and are implemented, to the satisfaction of ADB, in accordance with the provisions and conditions stipulated in the FFA and FAM and in accordance with all applicable ADB policies and guidelines.

Road Maintenance

9. The Borrower shall cause each Project Executing Agency, as appropriate, to (a) ensure that 5-year performance-based maintenance is undertaken; and (b) provide adequate and timely funding for that purpose.

10. The Borrower shall ensure further maintenance of roads after completion of the initial 5-year maintenance period.

Road Safety

11. The Borrower shall cause each Project Executing Agency to undertake road safety audits accompanied by road safety awareness sessions in the Subproject design process, during construction, and on existing roads and shall ensure that recommendations of the road safety audits are reviewed and promptly incorporated in the design and implemented on existing roads, as appropriate.

Environment

12. The Borrower shall ensure or cause the relevant Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Roads Subproject complies with (a) all applicable laws and regulations of the Borrower and of the relevant State relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the relevant IEE and EMP, and any corrective or preventative actions with respect to environment set forth in a Safeguards Monitoring Report.

13. The Borrower shall ensure or cause the relevant Project Executing Agency to ensure that Subprojects not included in the EIA cannot proceed until an EIA covering them and prepared in accordance with the EARF and SPS has been publicly disclosed for 120 days.

Land Acquisition and Involuntary Resettlement

14. The Borrower shall ensure or cause the relevant Project Executing Agency to ensure that all land and all rights-of-way required for each Roads Subproject, and all Roads Subproject facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement

activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower and the State relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventive actions with respect to land acquisition and involuntary resettlement set forth in a Safeguards Monitoring Report.

15. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure or cause the Project Executing Agencies to ensure that no physical or economic displacement takes place in connection with any Roads Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

16. In the event of any Roads Subproject involving indigenous peoples, the Borrower shall ensure or cause the relevant Project Executing Agency to ensure that the preparation, design, construction, implementation and operation of each Roads Subproject and all Roads Subproject facilities comply with (a) all applicable laws and regulations of the Borrower and the applicable State relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the IPPF; and (d) all measures and requirements set forth in the respective IPP or incorporated in the RP, and any corrective or preventive actions with respect to Scheduled Tribes set forth in a Safeguards Monitoring Report.

Labor Standards

17. The Project Executing Agencies shall ensure that Works contracts follow all applicable labor laws of the Borrower and the relevant State, and that these further include provisions to the effect that contractors (a) (i) carry out HIV/AIDS awareness programs through the implementation support consultants for labor and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures to those employed during construction; and in Project influenced areas (ii) 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 (b) encourage increased employment of women and local poor and disadvantaged persons for construction purposes, provided that the requirements for efficiency are adequately met. Such contracts shall include clauses for termination in case of any breach of the stated provisions by the contractors.

Health

18. The Project Executing Agencies shall coordinate with the relevant State AIDS Control Society and other public health agencies to carry out HIV/AIDS awareness programs for labor and dissemination of information at worksites and communities along Project impact areas on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction.

Human and Financial Resources to Implement Safeguards Requirements

19. The Borrower shall ensure or cause the Project Executing Agencies to ensure that all necessary budgetary and human resources are made available to fully implement, in respect of the relevant State, the EMPs, IPPs and RPs.

20. Each Project Executing Agency shall designate at least one expert each to supervise implementation of the EMPs, IPPs and RPs.

Bidding Documents and Execution of Civil Works Contracts

21. The Borrower shall ensure or cause the Project Executing Agencies to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the applicable IEE, EMP, RP and IPP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Project Executing Agency with a written notice of any unanticipated environmental, resettlement of indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the applicable IEE, EMP, RP or IPP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

22. Subject to compliance with the requirements of the EARF, IPPF and RF, the Borrower shall cause the Project Executing Agencies to (a) include a standard EMP, RP and IPP into the bidding documents; and (b) prepare and provide with the detailed project report a Subproject specific EMP, RP and IPP to enable the contractor to estimate and include the cost required for implementing the EMP, RP and IPP in its bid.

23. The Borrower shall ensure or cause the Project Executing Agencies to ensure that any changes to the land alignment or any environmental or social impacts arising following or during the preparation of detailed designs of related Subproject roads or during implementation shall be subject to prior approval by ADB or related Project Executing Agency, as the case may be, in accordance with the Subproject selection criteria.

Safeguards Monitoring and Reporting

24. The Borrower shall ensure or cause the Project Executing Agencies to ensure the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the applicable IEE, EMP, RP and IPP as applicable, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than 3 months from the commencement of RP implementation of the first Roads Subproject, engage qualified and experienced external experts or qualified non-governmental organizations under a selection process and terms of reference acceptable to ADB, to verify information produced through the project monitoring process for resettlement, environment and indigenous peoples (if any), and facilitate the carrying out of any verification activities by such external experts; and
- (d) report any breach of compliance with the measures and requirements set forth in the applicable IEE, EMP, RP and IPP promptly after becoming aware of the breach.

Prohibited List of Investments

25. The Borrower shall ensure or cause the Project Executing Agencies to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Development Coordination

26. The Borrower shall or cause the Project Executing Agencies to, (a) keep ADB informed of discussions with other multilateral, bilateral and national aid agencies that may have implications for the implementation of the Project; and (b) provide ADB with an opportunity to comment on any resulting policy reform and/or investment proposals, and shall take into account ADB's views before finalizing and implementing any such proposals.

Communication and Participation

27. The Borrower shall ensure or cause the Project Executing Agencies to ensure that the Project is undertaken in conformity with the communication strategy as agreed between ADB, the Borrower, and the Project Executing Agencies and referred in the FAM.

Governance and Anticorruption

28. The Borrower, the States and the Project Executing Agencies shall ensure that anticorruption provisions acceptable to ADB are included in all bidding documents and contracts financed by ADB in connection with the Project, including provisions specifying the right of ADB to review and examine the records and accounts of the Project Executing Agencies and PIUs and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

29. The Borrower, the States and the Project Executing Agencies shall comply with ADB's Anticorruption Policy (1998, as amended to date), and shall allow and assist ADB's representatives to carry out random spot checks on the work in progress and utilization of funds for the Project and Subprojects.

30. The Borrower shall cause the Project Executing Agencies to undertake Project specific measures as set out in the FAM to ensure good governance, accountability, and transparency, including (a) e-procurement as agreed with ADB; and (b) promptly publishing on their respective websites information on (i) procurement relating to each Subproject, including (1) bidding procedures; (2) bidders and contract awards for Works, Goods and Consulting Services financed under the Loan; and (3) regularly-updated status of procurement; and (ii) Project implementation and administration of funds, including (1) physical progress of Works; (2) the audited project financial statements and auditors' opinions referenced in section 2.09(a) of the Project Agreement; and (3) Project review reports (e.g. mid-term review), quarterly progress reports, and post-completion report, in each case promptly after submission to ADB.

Undertakings

31. The Borrower and the Project Executing Agencies shall, as applicable, ensure compliance with the undertakings set forth in Schedule 6 of the FFA.