
LOAN NUMBER 3066-IND

LOAN AGREEMENT
(Ordinary Operations)

(Madhya Pradesh Power Transmission and Distribution System Improvement Project)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 17 FEBRUARY 2014

IND 47100

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 17 February 2014 between INDIA, acting by its President (“Borrower”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

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

(B) the Project will be carried out by the State of Madhya Pradesh (“State”) acting through Madhya Pradesh Power Transmission Company Limited (“MP Transco”), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (“DISCOM-C”), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (“DISCOM-E”) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (“DISCOM-W”), and for this purpose the Borrower will make available to the State the proceeds of the loan provided for herein upon terms and conditions mutually agreeable to ADB and the Borrower;

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB on the one part and the State, MP Transco, DISCOM-C, DISCOM-E and DISCOM-W on the other part;

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

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

(c) "DISCOM" means each and any of DISCOM-C, DISCOM-E and DISCOM-W;

(d) "Environmental Management Plan" or "EMP" means an environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(f) "Financing Arrangements" means the arrangements between the Borrower and the State for the purpose of Section 3.01 as per current policy of the Borrower, and acceptable to ADB;

(g) "FY" means fiscal year;

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

(i) “Indigenous Peoples Plan” or “IPP” means the indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower through the State and cleared by ADB;

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

(k) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower through the State and cleared by ADB;

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

(m) “km” means kilometer;

(n) “kV” means kilovolt;

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

(p) “MP Transco” means the Madhya Pradesh Power Transmission Company Limited;

(q) “Onlending Agreement” means each and any of the onlending agreements to be entered into between the State and MP Transco and between the State and each DISCOM as referred to in Section 3.01(b) of this Loan Agreement;

(r) “PAM” means the project administration manual for the Project dated October 2013 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;

(s) “PMU” means each and any of the project management units established for the Project;

(t) “PPMS” means the project performance monitoring system referred to in paragraph 24 of Schedule 5 of this Loan Agreement;

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

(v) “Procurement Plan” means the procurement plan for the Project included in the PAM, as agreed between the Borrower, the State and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(w) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means the State acting through MP Transco, or the DISCOMs, or in each case, any successor thereto acceptable to ADB;

(x) “Project facilities” means the facilities to be provided, improved, rehabilitated, modernized, constructed, and/or maintained, and the equipment to be installed and maintained under the Project;

(y) “Resettlement Plan” or “RP” means a resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower through the State and cleared by ADB;

(z) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguard Policy Statement (2009);

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

(bb) “State” means the State of Madhya Pradesh;

(cc) “Subproject” means each and any of the subprojects under the Project as described in Schedule 1 to this Loan Agreement; and

(dd) “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 fifty million Dollars (\$350,000,000), 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 0.20% 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 May and 15 November 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. (a) The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions mutually agreeable to ADB and the Borrower.

(b) The Borrower shall cause the State to make the proceeds of the Loan available to MP Transco and each of the DISCOMs under Onlending Agreements on terms and conditions mutually acceptable to ADB, the Borrower and the State.

(c) The Borrower shall cause the State and Project Executing Agencies to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The 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 31 December 2018 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 to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

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

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

Section 4.03. The Borrower shall ensure or cause the State to 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 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 to enable the State, MP Transco and the DISCOMs to perform their obligations under the Project Agreement, 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 the prior notice to ADB.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: the State, MP Transco or any DISCOM shall have failed to perform any of its obligations under an Onlending Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. 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 VII**Miscellaneous**

Section 7.01. 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 7.02. 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:

+63 2 636-2444
+63 2 636-2338.

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 _____
NILAYA MITASH
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 Project is to increase capacity and operational efficiency in the electricity transmission and distribution system in the State.
2. The Project shall comprise Subprojects under the following components:

Component A: Transmission System Improvement, comprising augmentation of substation capacity and transmission line lengths, and includes the provision of:
 - (i) approximately 1,800 circuit-km of transmission lines;
 - (ii) 2 new and 3 upgraded 400kV substations;
 - (iii) 4 new and 5 upgraded 220kV substations; and
 - (iv) 26 new 132kV substations.
Component B: Distribution System Improvement, comprising augmentation of substation capacity and distribution line lengths, and includes the provision of:
 - (i) approximately 3,125 circuit-km of distribution lines;
 - (ii) 149 new 33/11kV substations; and
 - (iii) 328 upgraded 33/11kV substations.
Component C: Capacity Building, comprising training for staff of MP Transco and the DISCOMs on such matters as Project management, procurement, monitoring and evaluation, financial management, and safeguards, and the provision of related support and associated facilities, including a hostel and laboratory.
3. Component C as set out in paragraph 2 of this Schedule includes the provision of Consulting Services.
4. The Project is expected to be completed by 30 June 2018.

SCHEDULE 2

Amortization Schedule

(Madhya Pradesh Power Transmission and Distribution System Improvement Project)

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

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 May 2019	2.500000
15 November 2019	2.500000
15 May 2020	2.500000
15 November 2020	2.500000
15 May 2021	2.500000
15 November 2021	2.500000
15 May 2022	2.500000
15 November 2022	2.500000
15 May 2023	2.500000
15 November 2023	2.500000
15 May 2024	2.500000
15 November 2024	2.500000
15 May 2025	2.500000
15 November 2025	2.500000
15 May 2026	2.500000
15 November 2026	2.500000
15 May 2027	2.500000
15 November 2027	2.500000
15 May 2028	2.500000
15 November 2028	2.500000
15 May 2029	2.500000
15 November 2029	2.500000
15 May 2030	2.500000
15 November 2030	2.500000
15 May 2031	2.500000
15 November 2031	2.500000
15 May 2032	2.500000
15 November 2032	2.500000
15 May 2033	2.500000
15 November 2033	2.500000

<u>Date Payment Due</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
15 May 2034	2.500000
15 November 2034	2.500000
15 May 2035	2.500000
15 November 2035	2.500000
15 May 2036	2.500000
15 November 2036	2.500000
15 May 2037	2.500000
15 November 2037	2.500000
15 May 2038	2.500000
15 November 2038	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 2 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, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Madhya Pradesh Power Transmission and Distribution System Improvement Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works and Equipment	348,740,000		
1A	MP Transco		250,000,000	100% of total expenditure claimed*
1B	DISCOM-C		32,080,000	100% of total expenditure claimed*
1C	DISCOM-E		33,330,000	100% of total expenditure claimed*
1D	DISCOM-W		33,330,000	100% of total expenditure claimed*
2	Capacity Development	1,260,000		100% of total expenditure claimed*
	Total	350,000,000		

*Exclusive of taxes and duties imposed within the territory of the Borrower.

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 method of procurement set forth below:
 - (a) 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 State to ensure that the relevant Project Executing Agency ensures that:
 - (a) no Works contract is awarded for a Subproject which involves environmental impacts until State, MP Transco and the DISCOMs, as applicable, have incorporated the relevant provisions from the EMP, RP, into the Works contract; and
 - (b) no commencement of Works is allowed under any section of the Works contract which requires environmental clearances, until the State, MP Transco and the DISCOMs, as applicable, have obtained environmental clearance from the appropriate environmental authority of the Borrower and/or State, as applicable.

Consulting Services

6. Except as ADB may otherwise agree, DISCOM-C shall apply quality- and cost-based selection (QCBS) for selecting and engaging Consulting Services.
7. The DISCOMs may recruit individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

8. (a) The State, MP Transco and the DISCOMs 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) The State, MP Transco and the DISCOMs 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.

9. The State, MP Transco and the DISCOMs 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

10. 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

Implementation Arrangements

1. The Borrower, the State, MP Transco and each DISCOM shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower, the relevant Project Executing Agency and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The State, MP Transco and each DISCOM shall ensure that, towards the smooth implementation of the Project and Subprojects, grievance(s), if any, from stakeholders, relating to Project or any Subproject implementation or use of funds will be addressed effectively and efficiently.
3. The State, MP Transco and each DISCOM shall ensure that the PMUs are provided with adequate staff to undertake necessary tasks on procurement, construction supervision, inspection and testing of equipment, payments to contractors, monitoring, environmental and social safeguards due diligence and reporting of progress.

Funds

4. The State shall ensure that under appropriate arrangements acceptable to ADB:
 - (a) sufficient counterpart funds are available with MP Transco and DISCOMs , as required, for the efficient implementation of the Project and Subprojects, including any funds required to make land available, to mitigate unforeseen environmental and social impacts and to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances; and
 - (b) adequate funds are available with MP Transco and DISCOMs, towards operations and maintenance of Project facilities, during and after the Project and Subprojects' completion.

Environment

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

Land Acquisition and Involuntary Resettlement

6. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures that all land and all rights-of-way required for each Subproject are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and any 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; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

7. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, as applicable, the Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures that no physical or economic displacement takes place in connection with the Project or any Subproject until (a) compensation and other entitlements, as relevant, 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

8. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures that the Project does not have any indigenous peoples impacts within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall ensure or cause the State to ensure that the relevant Project Executing Agency ensures that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with: (a) all applicable laws and regulations of the Borrower and the State relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the relevant IPP, if any, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

9. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures that all necessary budgetary and human resources to fully implement the EMP, the RP, and any IPP are made available.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures 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 EMP, and the RP (to the extent that they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;

- (b) provide MP Transco and the relevant DISCOM with a written notice of any unanticipated environmental, resettlement or indigenous peoples risk or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the RP or any IPP;
- (c) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (d) fully reinstate pathways, other local infrastructure to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

11. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures the following:

- (a) submit semiannual 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 IEE, the EMP, the RP or IPP (if any), promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any breach of compliance with the measures and requirements set forth in the EMP, the RP or IPP (if any) promptly after becoming aware of the breach.

Prohibited List of Investments

12. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures 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.

Other Social Measures

13. The Borrower shall ensure, or cause the State to ensure, that the relevant Project Executing Agency ensures that Works contracts follow all applicable labor, health, and safety laws and regulations of the Borrower and the State and that these further include provisions to the effect that contractors (a) carry out HIV/AIDS awareness programs 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 (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. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

14. The State shall ensure that MP Transco and each DISCOM undertake the Project in accordance with the communication and consultation strategy as agreed between ADB, the Borrower and the State, and referred in the PAM.

15. MP Transco and each DISCOM shall conduct extensive public awareness campaigns, including without limitation, installing appropriate signs and issuing fliers to the public, to ensure that people are aware of safety hazards on misuse of the high voltage transmission and distribution systems.

16. MP Transco and each DISCOM shall (a) conduct their business in a manner to meet household preferences and needs in improving service quality; and (b) engage with the public when increasing tariffs.

Financial

17. MP Transco and each DISCOM shall conduct annually, through independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, business process and performance audits in all operational areas, and obtain and submit certified copies of such audit reports to ADB no later than 6 months after the end of the fiscal year to which the audit relates.

18. From FY2017 onwards, MP Transco and each DISCOM shall maintain a debt-service coverage ratio of at least 1.2. For the purposes of this provision, the term "debt" means any debt with more than 1 year of debt servicing.

19. Each DISCOM shall ensure that its distribution losses are gradually reduced from 27% in FY2013 to 16% by FY2023.

Institutional

20. Each DISCOM shall maintain mechanisms put in place under previous or ongoing ADB projects with adequate resources to collect and analyze energy and demand data. Each DISCOM shall also conduct a quarterly energy balance audit for each 11 kV agricultural and domestic feeder installed under the Project, and summarize such results in the semiannual report to be provided to ADB.

21. The State through its Energy Department and DISCOM-C shall ensure that a training center will be established and equipped with adequate staff and other resources to provide training and capacity building activities during implementation of the Project and thereafter.

Procurement

22. The State, MP Transco, and each DISCOM shall ensure that Works are supervised adequately to ensure that (a) the material supplied is new and meets the quality standards established by MP Transco and the respective DISCOMs in their construction manuals; (b) best engineering practices will be followed by contractors, and (c) supervision

will be conducted by each PMU on the work performed by the contractors to enforce the standards and quality of work established by MP Transco and each DISCOM.

23. Within no later than 6 months of the Effective Date, MP Transco and/or each DISCOM as relevant shall announce the Project and Subprojects and business opportunities associated with the Project on its website. The website will disclose the following information in relation to goods and services procured for the Project and Subprojects: (a) the list of participating bidders; (b) the name of the winning bidder; (c) the amount of the contracts awarded; and (d) the goods and services procured.

Project Performance Monitoring System

24. Within 3 months after the Effective Date, the State shall cause MP Transco and/or each DISCOM to establish a project performance monitoring system (PPMS) acceptable to ADB in line with the targets, indicators and procedures agreed with ADB. The State shall monitor the indicators according to the agreed framework on a semiannual basis to determine the efficiency and effectiveness of the Project, and will provide ADB with quarterly reports until project completion.

Governance and Anticorruption

25. The Borrower, the State, MP Transco and each DISCOM will comply with ADB's Anticorruption Policy (1998, as amended to date), and shall (i) through the PMUs and independent auditors, carry out random spot checks on the works in progress and utilization of funds for the Project; or (ii) allow and assist ADB's representatives to carry out such random spot checks.

26. The Borrower, the State, MP Transco and each DISCOM shall ensure that the anticorruption provisions acceptable to ADB, the Borrower, the State, MP Transco and DISCOMs are included in all bidding documents and contracts financed by ADB in connection with the Project, including provisions specifying the right of ADB to audit and examine the records and accounts of the State, MP Transco and the DISCOMs, and all contractors, suppliers, consultants, and other service providers as they relate to the Project.