
LOAN NUMBER 3703-IND

LOAN AGREEMENT
(Ordinary Operations)

(Second Rural Connectivity Investment Program – Project 2)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 5 OCTOBER 2018

IND 48226

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 5 October 2018 between INDIA, acting by its President ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 27 September 2017 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Second Rural Connectivity Investment Program;

(B) by a periodic financing request dated 05 July 2018, the Borrower has applied to ADB for a loan for the purposes of financing the Project described in Schedule 1 to this Loan Agreement (the "Project");

(C) the Project will be carried out by (a) the Borrower acting through its Ministry of Rural Development ("MORD"); and (b) the State of Madhya Pradesh ("State") acting through its Department of Panchayat and Rural Development, (both hereinafter referred to as "Project Executing Agencies" or EAs), and for this purpose the Borrower will make available to MORD and to the State through MORD the proceeds of the loan provided for herein upon terms and conditions mutually satisfactory to ADB and the Borrower; and

(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 Agreement of even date herewith between ADB and the State;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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) "CPF" means the community participation framework for the Project, including any update thereto, prepared and submitted by the Borrower through the State and cleared by ADB;

- (b) “EARF” means the environmental assessment and review framework for the Investment Program, including any update thereto, prepared and submitted by the Borrower through the EA and cleared by ADB, and incorporated by reference in the FFA;
- (c) “EMP” means each environmental management plan for the Project, including any update thereto, prepared and submitted by the Borrower through the relevant EA and cleared by ADB;
- (d) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1 and Appendix 4 (as applicable) of the SPS;
- (e) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;
- (f) “FAM” means the updated Facility administration manual dated August 2018 and agreed between the Borrower, EAs, and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, EAs, and ADB;
- (g) “FFA” means the framework financing agreement dated 27 September 2017 between ADB and the Borrower with respect to the Facility;
- (h) “Financing Arrangements” means the arrangements between the Borrower and the State as per current policy of the Borrower, and acceptable to ADB;
- (i) “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (j) “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;
- (k) “IEE” means the initial environmental examination for the Project, 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;
- (l) “Implementing Agency” means Madhya Pradesh Rural Road Development Authority, or any successor thereto;
- (m) “Investment Program” means the Second Rural Connectivity Investment Program;
- (n) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2017, as amended from time to time);

- (o) "MORD" means the Borrower's Ministry of Rural Development or any successor thereto;
- (p) "PFR" means the periodic financing request submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 05 July 2018;
- (q) "PMGSY" means *Pradhan Mantri Gram Sadak Yojana* or the Prime Minister's Rural Roads Program;
- (r) "PMGSY Guidelines" means the PMGSY-related guidelines issued from time to time, including without limitation, the PMGSY Programme Guidelines (2015) and other manuals, instructions, notifications or amendments as may be issued from time to time in connection with PMGSY;
- (s) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (t) "Procurement Plan" means the procurement plan for the Project as agreed between the Borrower, EAs and ADB, and included in the FAM, as updated from time to time in accordance with the Procurement Guidelines, and other arrangements agreed with ADB;
- (u) "Project Executing Agency" or the "EA" for the purposes of, and within the meaning of, the Loan Regulations means each of the following entities, or any successors thereto, as the context may require, that are responsible for the carrying out of the Project: (i) MORD at national level; and (ii) the State acting through its Department of Panchayat and Rural Development, at the State level and "Project Executing Agencies" or "EAs" means both of them collectively;
- (v) "Project facilities" means all facilities and structures to be created as part of the Project;
- (w) "RRNMUs" means rural road network management units;
- (x) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower through the respective EA to ADB that describes progress with implementation of, and compliance with, the EMP and the CPF (as applicable), including any corrective and preventative actions;
- (y) "SPS" means ADB's Safeguard Policy Statement (2009);
- (z) "State" means the state of Madhya Pradesh;
- (aa) "Subproject" means a subproject under the Project that meets the subproject selection criteria set forth in Schedule 4 to the FFA; and

- (bb) "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 one hundred ten million Dollars (\$110,000,000), 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 March and 15 September 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(f) 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 through MORD shall make the proceeds of the Loan available to the State upon terms and conditions mutually agreeable to ADB and the Borrower, and shall cause the EAs 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 through MORD shall ensure, or cause the EAs to ensure, that the items of expenditure to be financed out of the proceeds of the Loan are procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2023 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower through MORD shall perform, or cause to be performed by the EAs, all obligations set forth in this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower through MORD shall enable ADB's representatives to inspect the Project, Goods and Works, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. In so far as it relates to the Project, the Borrower through MORD shall take all actions, or cause the State to take all actions, which shall be necessary on its part to enable the State to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) In so far as it relates to the Project, the Borrower through MORD 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. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: in connection with Projects 1, 2 and 3 of the Borrower's Rural Connectivity Investment Program, the State shall have resubmitted to ADB, separately for each such project, the audited project financial statements for each of the fiscal years indicated below in compliance with the provisions of Section 2.09(a) of the respective project agreements entered into between ADB and the State for each such project:

- (a) Project 1 (Loan No. 2881-IND): fiscal years 2014 to 2017;
- (b) Project 2 (Loan No. 3065-IND): fiscal years 2014 to 2017; and
- (c) Project 3 (Loan No. 3306-IND): fiscal years 2015 to 2017.

Section 5.02. 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 Number:

(9111) 2309 4075

For ADB

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

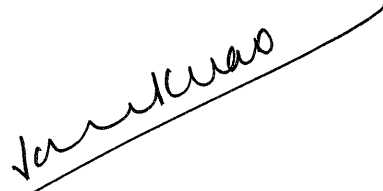
Facsimile Numbers:

(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



SAMEER KUMAR KHARE
Additional Secretary
(Fund Bank & ADB)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By



KENICHI YOKOYAMA
Country Director

SCHEDULE 1**Description of the Project**

1. As a part of the Investment Program, the Project aims to improve the connectivity of rural communities in the State, and strengthen the State's institutional capacity and activities for associated road maintenance and safety.
2. The Project shall consist of the following outputs:
 - (a) upgrading of rural roads of approximately 2,800 km in the State;
 - (b) provision of training for approximately 500 PMGSY engineers, including staff of project implementation units, RRNMUs and panchayat raj institutions; and
 - (c) provision of technical support to RRNMUs for road safety audits.
3. The Project is expected to be completed by 31 December 2022.

SCHEDULE 2**Amortization Schedule**

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 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
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

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 March 2039	2.500000
15 September 2039	2.500000
15 March 2040	2.500000
15 September 2040	2.500000
15 March 2041	2.500000
15 September 2041	2.500000
15 March 2042	2.500000
15 September 2042	2.500000
15 March 2043	2.500000
15 September 2043	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; and
- (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 of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and 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, in consultation with and by notice to the Borrower and the relevant EA, (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, in consultation with and by notice to the Borrower and relevant EA, 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, and detailed arrangements agreed upon between ADB and the Borrower.

Retroactive Financing

5. Withdrawals from the Loan Account may be made to finance 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, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Works	110,000,000	39.86% of total expenditure claimed
	TOTAL	110,000,000	

SCHEDULE 4

Procurement of Goods and Works

General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines.
2. Except as ADB may otherwise agree, Goods and Works shall be procured only on the basis of the procurement method set forth below. This method is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement method or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Goods and Works

4. Goods and Works shall be procured on the basis of the following procurement method: National Competitive Bidding.

National Competitive Bidding

5. The EAs' standard bidding documents and procurement procedures as in use by the respective EA were reviewed by ADB. These were found consistent with ADB's requirements and shall apply to the Project. Modifications, if any, to such bidding documents shall be subject to mutual agreement between the Borrower through MORD, respective EA and ADB.

Conditions for Award of Contract

5. The Borrower through MORD shall ensure, or cause the relevant EA to ensure, that no Works contract for a Subproject which involves environmental impacts is awarded until the relevant EA has:
 - (a) obtained the final approval of (i) the IEE from ADB; and (ii) environmental clearance including approval of the environmental assessment report, from the relevant Environmental Impact Assessment Authority; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.

Industrial or Intellectual Property Rights

6. (a) The Borrower through MORD shall ensure, or cause the EAs to ensure, that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and

services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

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

SCHEDULE 5

Execution of Project

Execution and Implementation Arrangements

1. The Borrower shall ensure, and cause the EAs to 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, relevant EA and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. (a) The Borrower shall ensure, or cause the EAs to ensure, that towards smooth implementation of the Project, grievances, if any, from stakeholders relating to Project implementation or use of Loan proceeds are addressed effectively and efficiently.

(b) The Borrower shall ensure, or cause the EAs to ensure, that the EAs comply with all the requirements and obligations on their part as included in the Loan Agreement and the Project Agreement to meet the objectives of the Project in a timely and efficient manner.

3. The Borrower shall ensure, or cause the EAs to ensure, that the Implementing Agency (a) employs sufficient staff for the duration of the Project with adequate and relevant expertise in the fields of project management, financial management, engineering, construction supervision, procurement, construction, road maintenance and safety, and environmental and social safeguards implementation; and (b) has the necessary office space, facilities, equipment, support staff and management information systems to carry out its responsibilities in an efficient and timely manner.

Counterpart Funds

4. The Borrower shall make available, or cause the EAs to make available, through budgetary allocations or other means, all counterpart funds from their respective budget for each fiscal year required for the timely and effective implementation of the Project, including funds required to (a) mitigate unforeseen environmental, resettlement and other social impacts; (b) meet additional costs arising from design changes, price escalation in construction costs or other unforeseen circumstances; and (c) ensure effective operation and maintenance of the Works, both during and after completion of the Project by respective EA.

Selection Criteria and Approval Process for Subprojects

5. The Borrower shall ensure, and cause the EAs to ensure, that all Subprojects are selected and approved in accordance with the selection criteria and approval process stipulated in Schedule 4 to the FFA.

6. The Borrower shall ensure, or cause the EAs to ensure, that all documents relating to the screening, selection and processing of Subprojects are made available to ADB upon request.

Environment

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

Land Acquisition and Involuntary Resettlement

8. The Borrower shall ensure, or cause the respective EA to ensure, that the Project does not have any involuntary resettlement impacts, within the meaning of the SPS. If the Project does have such impacts, the Borrower shall ensure or cause the respective EA to ensure to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower, the State and with the SPS.

Indigenous Peoples

9. The Borrower shall ensure, or cause the respective EA to ensure, that the Project does not have any indigenous peoples impacts, within the meaning of the SPS. If the Project does have any such impacts, the Borrower shall ensure, or cause the respective EA to ensure to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower, the State and with the SPS.

Community Participation Framework

10. The Borrower shall ensure, or cause the EAs to ensure, that the requirements of each CPF are strictly complied with.

11. The Borrower shall ensure, or cause the EAs to (i) ensure that the community consultation process for all Subprojects is carried out in accordance with the PMGSY Guidelines as supplemented by the CPF; (ii) ensure that no affected person is physically displaced due to any voluntary land donation; (iii) disseminate information on process of land transfer/availability, as the case may be, support/assistance provisions and grievance procedures to the Project-affected communities in a timely manner so that all related issues are resolved before awarding any Works contracts; (iv) ensure that in case of voluntary land donations/transfer, these are undertaken in a transparent manner and under proper documentation, in accordance with procedures set out in the CPF and reflected in the FAM, and avoid any kind of coercion or forced donations/transfer; (v) ensure that no land owner donates more than 5% of his or her land; and (vi) ensure that land made available in accordance with the procedures prescribed in the PMGSY Guidelines are reflected in the local land records in a timely manner.

Human and Financial Resources to Implement Safeguards Requirements

12. The Borrower shall ensure, or cause the EAs to ensure, that all necessary budgetary and human resources to fully implement the EMP and the CPF as required, are made available.

Labor Standards, Health and Safety

13. The Borrower shall ensure, or cause the EAs to ensure, that Works contracts under the Project follow all applicable labor laws 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 Borrower shall ensure, or cause the EAs to ensure, strict monitoring of compliance with the requirements set forth in paragraph above, and shall provide ADB with regular reports.

Gender and Development

15. The Borrower shall ensure, or cause the EAs to ensure, that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

16. The Borrower shall ensure, or cause the EAs 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 IEE, EMP and CPF, 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 relevant EA with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, EMP, and CPF;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction;
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction; and

- (f) assist as necessary in resolving grievances which arise during construction activities.

Safeguards Monitoring and Reporting

17. The Borrower shall ensure or cause the EAs to:
- (a) submit 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 IEE, EMP, or CPF, 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 EARF, IEE, EMP or CPF promptly after becoming aware of the breach.

Prohibited List of Investments

18. The Borrower shall ensure, or cause the EAs 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.

Communications and Participation

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

Procurement

20. The Borrower shall ensure, or cause the EAs to ensure, to announce the Project and business opportunities (i.e., invitation of bids) associated with the Project on its website. The website shall disclose the following information in relation to works, goods and services procured for the Project and Subprojects: (a) the list of participating bidders, (b) the name of the selected bidder, (c) the amount of the contracts awarded, and (d) the works, goods and services procured.

Governance and Anticorruption

21. The Borrower shall ensure and cause each EA to ensure that it shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date); (b) ensure that the anticorruption provisions acceptable to ADB, the Borrower and the EA 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 EA and all contractors, suppliers, consultants and other service providers as they relate to the Subprojects and the

Project, and as included in the FAM; (c) allow and assist ADB's representatives to carry out random spot checks on the work in progress and utilization of funds for the Project; (d) acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (e) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation, and as included in the FAM.