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LOAN NUMBER 3394 - IND

LOAN AGREEMENT  
(Ordinary Operations)

(Climate Adaptation in Vennar Subbasin in Cauvery Delta Project)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 14 July 2016

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IND 44429

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 14 July 2016 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 acting through its WRD ("EA") as defined below, and for this purpose the Borrower will make available to the EA the proceeds of the Loan provided for herein upon terms and conditions mutually satisfactory to ADB and the Borrower; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB on the one part, and the State 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) "Cauvery delta" means the delta of the Cauvery river basin, that lies in a marginally semi-arid region on the east coast of southern India and partly in the State;

(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) "DSS" means the decision support system to be developed in the Vennar System for asset and irrigation water management; for monitoring of infrastructure condition, repair requirements and maintenance scheduling; to support decision making on more equitable allocation of surface water resources based on monitoring;

(e) "EA" or "Project Executing Agency" means the State acting through its WRD or any of its successors thereto acceptable to ADB, that is responsible for carrying out the Project;

(f) "EMP" means each environment management plan for the Project, including any update thereto, incorporated in the IEE;

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

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

(i) "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;

(j) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower through the EA, and cleared by ADB;

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

(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) "IPP" means the indigenous peoples plan for the Project as may be required, including any update thereto, prepared and submitted by the Borrower through the EA, and cleared by ADB;

(n) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(o) "NGO" means a non-government organization;

(p) "O&M" means operation and maintenance;

(q) "PAM" means the project administration manual for the Project dated April 2016 and agreed between the Borrower, State, WRD, and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(r) "PIU" means each of the three Project implementation units established by the EA in Thiruvarur, Nagapattinam, and Thiruthuraipoondi in the State;

(s) "PMU" means the Project management unit located in the WRD Regional Office in Trichy in the State;

(t) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

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

(v) "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower through the EA, and cleared by ADB;

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

(x) "SPS" means ADB's Safeguard Policy Statement (2009);

(y) "State" means the State of Tamil Nadu;

(z) “Vennar System” means the complex network of natural and man-made canals and drains that are supplying water to the irrigation in the Cauvery delta;

(aa) “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; and

(bb) “WRD” means the Water Resources Department in the Public Works Department of the State.

## **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 million Dollar (\$100,000,000), 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 0.20% 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 01 December and 01 June 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 make the proceeds of the Loan available to the EA upon terms and conditions mutually agreeable to ADB and the Borrower, and shall cause the EA 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 by the EA, 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 the EA to ensure that all items of expenditure financed out of the proceeds of the Loan are 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 2021 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 by the EA 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 by the EA, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available by the EA, promptly as needed, 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'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 to enable the EA 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 4.06. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

Section 4.07. (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 Number:

(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



14/7/16

By \_\_\_\_\_  
Raj Kumar  
Joint Secretary (MI)  
Department of Economic Affairs

ASIAN DEVELOPMENT BANK



By \_\_\_\_\_  
L.B. Sondjaja  
Officer-in-Charge  
India Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is improved water management in the Vennar System of the Cauvery delta in the State.

2. The Project shall comprise following outputs:

**Output 1: Flood risk management and irrigation infrastructure upgraded.** This includes: (i) re-sectioning and embankment strengthening of 6 main channels totaling about 235 km to improve their resilience and flood conveyance capacity; (ii) improved conveyance of 3 straight cuts between the Vedharanyam canal and the sea; (iii) construction of 4 new regulators, reconstruction of 10 dysfunctional regulators and repair of 13 damaged regulators; (iv) design and construction of new/upgrading of 133 irrigation head sluices off-taking from the main channels; (v) upgrading of 20 bed dams and grade walls within the main channels; (vi) upgrading of 136 other minor irrigation and drainage structures; and (vii) upgrading of 13 pump stations comprising new pumps and electrical systems and repairs to pump houses.

**Output 2: Improved water and flood risk management systems established.** This includes (i) formation of stakeholder groups for 6 channels; (ii) installation of additional rainfall, surface water level, groundwater level and tide level monitoring and flow measurements; (iii) development of DSS; and (iv) training for WRD officers in improved management of water resources. Flood risks and flood events will be managed through (i) establishment of flood forecasting and warning systems, and (ii) flood risk mapping. The output also includes a feasibility study and detailed design of similar improvements in the remainder of the Vennar and Cauvery system of the Cauvery Delta.

3. Activities included under paragraph 2 of this Schedule shall be assisted through the provision of Consulting Services as applicable.

4. The Project is expected to be completed by 31 December 2020.

## SCHEDULE 2

### Amortization Schedule

#### (Climate Adaptation in Vennar Subbasin in Cauvery Delta 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.

| Sequence | Date Payment Due | Installment Share<br>(Expressed as a % based on 12.74% annuity) |
|----------|------------------|---|
| 1        | 1 December 2021  | 0.588504  |
| 2        | 1 June 2022      | 0.625992  |
| 3        | 1 December 2022  | 0.665867  |
| 4        | 1 June 2023      | 0.708283  |
| 5        | 1 December 2023  | 0.753401  |
| 6        | 1 June 2024      | 0.801392  |
| 7        | 1 December 2024  | 0.852441  |
| 8        | 1 June 2025      | 0.906742  |
| 9        | 1 December 2025  | 0.964501  |
| 10       | 1 June 2026      | 1.025940  |
| 11       | 1 December 2026  | 1.091292  |
| 12       | 1 June 2027      | 1.160807  |
| 13       | 1 December 2027  | 1.234751  |
| 14       | 1 June 2028      | 1.313405  |
| 15       | 1 December 2028  | 1.397068  |
| 16       | 1 June 2029      | 1.486062  |
| 17       | 1 December 2029  | 1.580724  |
| 18       | 1 June 2030      | 1.681416  |
| 19       | 1 December 2030  | 1.788522  |
| 20       | 1 June 2031      | 1.902451  |
| 21       | 1 December 2031  | 2.023637  |
| 22       | 1 June 2032      | 2.152543  |
| 23       | 1 December 2032  | 2.289660  |
| 24       | 1 June 2033      | 2.435511  |
| 25       | 1 December 2033  | 2.590653  |
| 26       | 1 June 2034      | 2.755678  |
| 27       | 1 December 2034  | 2.931214  |
| 28       | 1 June 2035      | 3.117933  |
| 29       | 1 December 2035  | 3.316545  |

Schedule 2

| Sequence | Date Payment Due | Installment Share<br>(Expressed as a % based on 12.74% annuity) |
|----------|------------------|---|
| 30       | 1 June 2036      | 3.527809  |
| 31       | 1 December 2036  | 3.752530  |
| 32       | 1 June 2037      | 3.991566  |
| 33       | 1 December 2037  | 4.245829  |
| 34       | 1 June 2038      | 4.516288  |
| 35       | 1 December 2038  | 4.803976  |
| 36       | 1 June 2039      | 5.109989  |
| 37       | 1 December 2039  | 5.435496  |
| 38       | 1 June 2040      | 5.781737  |
| 39       | 1 December 2040  | 6.150033  |
| 40       | 1 June 2041      | 6.541812  |
|          |                  |   |
|          | 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

Schedule 2

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

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with and by notice to 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, and detailed arrangements agreed upon between ADB and the Borrower, as set out in the PAM.

#### 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 items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.

**TABLE**

| <b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS<br/>(Climate Adaptation in Vennar Subbasin in Cauvery Delta Project)</b> |                     |   |   |
|--|---------------------|---|---|
| <b>Number</b>  | <b>Item</b>         | <b>Total Amount Allocated<br/>for ADB Financing<br/>(\$)<br/>Category</b> | <b>Basis for Withdrawal from the<br/>Loan Account</b> |
| 1  | Works               | 90,700,000  | 82% of total expenditure claimed                      |
| 2  | Equipment           | 1,600,000   | 84% of total expenditure claimed                      |
| 3  | Consulting Services | 3,600,000   | 88% of total expenditure claimed                      |
| 4  | Unallocated         | 4,100,000   |   |
|  | Total               | 100,000,000   |   |



## **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 method of procurement set forth below:
  - (a) National Competitive Bidding; and
  - (b) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### National Competitive Bidding

5. The Borrower, the EA and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's/State's applicable national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower, the EA, and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower, EA, and ADB.

#### Conditions for award of contracts

6. The Borrower shall ensure, or cause the EA to ensure, that no Works contract is awarded under the Project which involves
  - (a) environmental impacts until the EA has incorporated the relevant provisions from the EMP into the Works contract;
  - (b) involuntary resettlement impacts until the EA has prepared and submitted to ADB the RP, and obtained ADB's clearance of such RP; and
  - (c) impacts on indigenous peoples, if any, until the EA has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP.

7. The Borrower shall ensure, or cause the EA to ensure, that no Works contract is awarded under the Project which involves environmental impacts and requires any statutory or other environmental clearances, until the EA has obtained the final approval of (i) the IEE from ADB, and (ii) relevant environmental clearances from applicable authority (ies) at State or National level.

#### Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the EA shall apply quality-and cost-based selection for selecting and engaging Consulting Services.

9. The EA shall apply the following methods for selecting and engaging the specified Consulting Services, for implementation of the RP, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least Cost Selection.

10. The EA shall recruit the individual consultants with expertise in specialized areas for activities listed in the Procurement Plan.

#### Industrial or Intellectual Property Rights

11. (a) The EA 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 EA 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.

12. The EA 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.

## SCHEDULE 5

### Execution of Project

#### Implementation Arrangements

1. (a) The Borrower, State and WRD shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any change to the PAM shall be subject to prior agreement with ADB and in the event of any discrepancy between the PAM and Loan Agreement the provisions of the Loan Agreement shall prevail.

(b) The Borrower, State and WRD shall ensure that the Project design is aligned towards ensuring structural and non-structural climate adaptations in the Cauvery subbasin.

(c) Towards smooth implementation of the Project, the State and WRD shall ensure that, grievances if any from stakeholders, relating to any Project implementation or use of funds are addressed effectively and efficiently.

(d) The State and WRD shall ensure that the PMU and the three PIUs are adequately staffed by competent and qualified personnel during the entire duration of the Project including for planning, technical, finance, social, accounts, safeguards, and climate adaptation, for effective and timely implementation of the Project.

(e) Within no later than 3 months of the Effective Date, the State shall establish and maintain through the period of Project implementation, as provided in detail in the PAM

- (i) The Project Steering Committee;
- (ii) The Field Implementation Coordination Committee; and
- (iii) The Technical Advisory Committee.

#### Counterpart Funds

2. The State shall make the Loan proceeds available to WRD under appropriate arrangements acceptable to ADB, and ensure:

- (a) Sufficient counterpart funds from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Project; and
- (b) Adequate funds towards operation and maintenance of Project facilities, through budgetary allocations or other means, to be provided to WRD, during and after the Project completion.

3. Notwithstanding the generality of above stated requirements the State shall make available to WRD on a timely basis funds required (a) to meet any shortfall between cost and revenues for the operation and maintenance of the facilities created or rehabilitated under Project, (b) to mitigate any unforeseen environmental, and social impacts, and (c) to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances.

Safeguards and SocialEnvironment

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

Land Acquisition and Involuntary Resettlement

5. (a) The Borrower shall ensure, or cause the EA to ensure, that all land and all rights-of-way required for the Project, and all Project 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 (i) all applicable laws and regulations of the Borrower and the State relating to land acquisition and involuntary resettlement; (ii) the Involuntary Resettlement Safeguards; and (iii) all measures and requirements set forth in the RP for the Project, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

(b) Without limiting the application of the Involuntary Resettlement Safeguards, or the RP, the Borrower shall ensure, or cause the EA to ensure, that no physical or economic displacement takes place in connection with the Project until:

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

Indigenous Peoples

6. The Borrower shall ensure, or cause the EA to ensure, 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 respective IPP if any prepared for the Project, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

7. (a) The Borrower shall make available, or cause the EA to make available, all necessary budgetary and human resources to fully implement the EMP, the RP and the IPP if and as required.

(b) The EA shall designate at least one expert each to supervise implementation of the EMP, and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall, or cause the EA 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, the EMP, and the RP and the IPP as applicable (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 WRD with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks if any, or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the RP or the IPP if any;
- (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.

Safeguards Monitoring and Reporting

9. The Borrower shall do, or cause the EA to do, the following:

- (a) submit semi-annually Safeguards Monitoring Reports (one each for the resettlement and environment matters) 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, and the RP or the 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 award of Works contract/commencement of land acquisition and resettlement activities under the Project engage a qualified and experienced external expert or NGO under a selection process and terms of reference acceptable to ADB, to verify information produced through Project monitoring process, and facilitate the carrying out of any verification activities by such external expert/NGO for the Project; and
- (d) report any breach of compliance with the measures and requirements set forth in the EMP, and the RP or the IPP if any, promptly after becoming aware of the breach.

Prohibited List of Investments

10. The Borrower shall ensure, or cause the EA to ensure, that no proceeds of the loan under the Project are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

11. The Borrower, State, and WRD shall 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; (i) 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 (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. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

Communication and Participation

12. The EA shall ensure that the Project is undertaken in conformity with the Communication Strategy as agreed between ADB, the Borrower, State, and WRD and referred in the PAM.

Gender and Development

13. The EA shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area are followed during implementation of the Project, including (i) equal pay to men and women for work of equal value; (ii) enabling working conditions for women workers; and (iii) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Governance and Anticorruption

14. The Borrower, State and WRD shall comply with ADB's Anticorruption Policy (1998, as amended to date) and (i) shall ensure that the anticorruption provisions acceptable to ADB, the Borrower, State and WRD 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 State and WRD and all contractors, suppliers, consultants, and other service providers as they relate to the Project, and as included in the PAM, (ii) 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; (iii) 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 (iv) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation, and as included in the PAM.

Procurement

15. The WRD shall announce the Project and business opportunities associated with the Project on its website. The website shall disclose the following information in relation to goods and services procured for the Project: (i) the list of participating bidders, (ii) the name of the winning bidder, (iii) the amount of the contracts awarded, and (iv) the goods and services procured. In accordance with the Procurement Guidelines, the published information for contracts shall also include the bid prices as read out at bid opening, the reasons for rejection of unsuccessful bidders, and the duration of the awarded contract.

Facilities Maintenance; Operation and Maintenance

16. (a) The State shall provide timely and adequate funds to WRD for maintenance of the facilities created under the Project, during implementation, as also after completion of Project.

(b) The State and WRD shall ensure that the Project facilities are adequately maintained and that proper technical supervision and adequate funds for this purpose are provided as also referred in the PAM. The funds required for the O&M shall be allocated annually and released on a timely basis. The State shall prepare and maintain, or cause WRD to prepare and maintain, an asset management plan and O&M management system throughout the Project implementation and beyond. WRD shall ensure that all equipment and spare parts financed under the Project remain exclusively to be used for the O&M of the Project.

Project Performance Monitoring System

17. Within 6 months after the Effective Date, WRD shall establish through the PMU a Project performance monitoring system (PPMS) acceptable to ADB in line with the targets, indicators and procedures agreed with ADB. The Borrower shall cause the EA to monitor the indicators according to the agreed framework on a quarterly basis to determine the efficiency and effectiveness of the Project, and provide ADB with quarterly reports until Project completion.