
LOAN NUMBER 3306-IND

LOAN AGREEMENT
(Ordinary Operations)

(Rural Connectivity Investment Program – Project 3)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 6 NOVEMBER 2015

IND 40423

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 6 November 2015 between INDIA, acting by its President ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 17 May 2012 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Rural Connectivity Investment Program.

(B) by a periodic financing request dated 14 May 2015, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement (the "Project");

(C) the Project will be carried out by (i) the Borrower's Ministry of Rural Development ("MORD"); (ii) the State of Assam, (iii) the State of Chhattisgarh, (iv) the State of Madhya Pradesh, (v) the State of Odisha, and (vi) the State of West Bengal, and for this purpose the Borrower will make available to each of them the proceeds of the loan provided for herein upon terms and conditions mutually agreeable 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 Agreements of even date herewith between ADB on the one part and MORD and each State (as hereinafter defined) 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. (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.

(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) "Assam" means the State of Assam;
- (b) "Chhattisgarh" means the State of Chhattisgarh;
- (c) "CPF" means each and any agreed Community Participation Framework applicable for a State or each and any Community Participation Framework for a Subproject, as the case may be;
- (d) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agencies and cleared by ADB;
- (e) "ECOP" means the agreed Environmental Code of Practice for each State or its preparation for each Subproject or bridges longer than 50 meters, as the case may be;
- (f) "EMP" means each and any environmental management plan for the Project, including any update thereto, prepared and submitted by the Borrower through the relevant Project Executing Agency and cleared by ADB;
- (g) "EMR" means each report prepared and submitted by the Borrower through the relevant Project Executing Agency to ADB that describes progress with implementation of, and compliance with, the EMPs, including any corrective and preventative actions;
- (h) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix I and Appendix 4 (as applicable) of the SPS;
- (i) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(j) “FAM” means the updated Facility administration manual for the Investment Program dated August 2015 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;

(k) “FFA” means the framework financing agreement dated 17 May 2012 between ADB and the Borrower with respect to the Facility;

(l) “Financing Arrangements” means, in reference to Section 3.01 of this Loan Agreement, the arrangements between the Borrower and the States as per current policy of the Borrower, and acceptable to ADB;

(m) “GAP” means gender action plan prepared for the Facility and for each tranche thereunder and approved by the Borrower and set out in the FAM;

(n) “Government Contribution” means the amounts which the Borrower, MORDC and the States have agreed to make available from their own resources for the purposes of the Project;

(o) “IA” means the implementing agency to be responsible for implementation of the Subprojects under this Project, which shall be state rural road development agencies, namely, in respect of Assam, the State Road Board; in respect of Chhattisgarh, the Chhattisgarh Rural Roads Development Authority; in respect of Madhya Pradesh, the Madhya Pradesh Rural Roads Development Authority; in respect of Odisha, the Odisha State Rural Roads Agency; and in respect of West Bengal, the West Bengal State Rural Development Agency;

(p) “IEE” means the initial environmental examination for the Project including any update thereto, prepared and submitted by the Borrower through the relevant Project Executing Agency pursuant to the requirements set forth in the EARF and cleared by ADB;

(q) “Investment Program” means the Rural Connectivity Investment Program;

(r) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

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

(t) “Non-Road Subproject” means a subproject under the Project that (i) meets the selection criteria set forth in Schedule 4 to the FFA, and (ii) involves the construction or development or equipping of RRNMUs or RCTRCs, as the case may be;

(u) “NRRDA” means the National Rural Roads Development Agency, which is an agency of MORDC established to operationalize and manage the PMGSY at central level, or any legal successor thereto;

(v) “Odisha” means the State of Odisha;

(w) "Panchayat and Rural Development Department" means the Panchayat and Rural Development Department of any or all of Chhattisgarh, Madhya Pradesh and West Bengal, as the context may require, or any legal successor thereto acceptable to ADB;

(x) "Panchayati Raj Institution" means an institution of self-government constituted for rural areas in a State under Article 243-B of the Constitution of India; the three levels of Panchayati Raj Institution comprise gram panchayat at a village level, intermediate panchayat at a block level, and zilla panchayat/parishad at a district level;

(y) "PFR" means, for the purpose of this Loan Agreement, the periodic financing request dated 14 May 2015;

(z) "PIC" means the Project Implementation Consultants engaged by the States and financed by the Borrower;

(aa) "PIUs" means the Project Implementation Units established by each State in accordance with the PMGSY Guidelines;

(bb) "PMGSY" means Pradhan Mantri Gram Sadak Yojana or the Prime Minister's Rural Roads Program;

(cc) "PMGSY Guidelines" means the PMGSY Guidelines issued by MORD, as revised and issued in November 2004, as amended from time to time, and includes the Operations Manual issued in February 2005, and other instructions or notifications as may be issued under the stated guidelines;

(dd) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

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

(ff) "Project Agreements" means the agreements of even date herewith between ADB and each of the Project Executing Agencies;

(gg) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means each of the entities indicated as follows, or any legal successors thereto acceptable to ADB: (i) MORD at the central level including through NRRDA; (ii) Assam through its Public Works Roads Department; (iii) Chhattisgarh through its Panchayat and Rural Development Department; (iv) Madhya Pradesh through its Panchayat and Rural Development Department; (v) Odisha through its Rural Development Department; and (vi) West Bengal through its Panchayat and Rural Development Department;

(hh) "Project Facilities" means the water supply, sewerage, solid waste management, drainage and urban transport infrastructure facilities to be constructed under the Project;

(ii) "RCTRCs" means the rural connectivity training and research centers established under the Investment Program;

(jj) "Road Subproject" means a subproject under the Project that (i) meets the selection criteria set forth in Schedule 4 to the FFA, and (ii) involves the construction of PMGSY roads to an all-weather standard;

(kk) "RRNMUs" means the Rural Road Network Management Units established under the Investment Program;

(ll) "Safeguards Monitoring Report" means each EMR or SMR;

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

(nn) "SMR" means each report prepared and submitted by the Borrower through the relevant Project Executing Agency to ADB that describes progress with implementation of, and compliance with, the CPF, including any corrective and preventative actions;

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

(pp) "State" means any or all of Assam, Chhattisgarh, Madhya Pradesh, Odisha and West Bengal, as the context may require;

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

(rr) "Subproject" means any Road Subproject or Non-Road Subproject;

(ss) "TSC" means the technical support consultant to be engaged by NRRDA to assist the IAs in, among other things, implementing road safety measures, conduct of maintenance for PMGSY roads, and monitoring compliance with Safeguard Requirements and Project performance, as set out in the terms of reference attached to the FAM;

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

(uu) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract; and

(vv) "Zilla Panchayat" means the Panchayat Raj Institution at district level as defined under Article 243-B of the Constitution of India, also known as Zilla Parishad in some States.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred seventy-three million Dollar (\$273,000,000) 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 15 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; and
- (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.

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(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall (i) make the proceeds of the Loan available to MORD and the States upon terms and conditions mutually agreeable to ADB and the Borrower, and (ii) cause MORD and the States to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreements.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

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

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

Section 4.02. The Borrower shall make available to MORD and the States promptly as needed, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan and the Government Contribution for the carrying out of the Project.

Section 4.03. The Borrower shall ensure or cause the States 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 Works, and any relevant records and documents.

Section 4.05. (a) The Borrower shall or shall cause MORD to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and use of statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) 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 4.06. Insofar as it relates to the Project, the Borrower shall take all actions which shall be necessary on its part to enable the Project Executing Agencies to perform their respective obligations under the Project Agreements, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.07. (a) Insofar 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) Insofar 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

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 PMGSY Guidelines or any provision thereof shall have been repealed, suspended or amended in any manner in so far as it relates to the Project, which in the reasonable opinion of ADB shall or may adversely affect the carrying out of the Project.

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) 2309-2511

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2340.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

INDIA

By  _____
S. SELVAKUMAR
Joint Secretary

ASIAN DEVELOPMENT BANK

By  _____
M. TERESA KHO
Country Director

SCHEDULE 1**Description of the Project**

1. The objective of the Investment Program is to improve connectivity of selected rural communities in the States to markets, district headquarters and other centers of economic activity.
2. As a part of the Investment Program, the Project aims to construct and maintain about 6,128 km of all-weather rural roads and strengthen rural connectivity training and research centers and rural road network management units in the States.
3. The Project shall comprise the following components:
 - (a) Road Infrastructure Development: This comprises construction to an all-weather standard of rural roads that are part of the PMGSY, covering about 6,128 km in total (comprising about 487km in Assam, 1,056km in Chhattisgarh, 1,381km in Madhya Pradesh, 2,566km in Odisha and 638km in West Bengal).
 - (b) Institutional Strengthening: This comprises construction of 25 RRNMU buildings - 6 in Assam, 4 in Chhattisgarh, 6 in Madhya Pradesh, 5 in Odisha, and 4 in West Bengal. This component also includes training and certification of at least 4,000 PIU staff and 700 Panchayati Raj Institutions, design consultant and contractor staff by RCTRCs in the States.
4. The Project is expected to be completed by 31 December 2017.

SCHEDULE 2**Amortization Schedule****(Rural Connectivity Investment Program – Project 3)**

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 2021	3.333333
15 September 2021	3.333333
15 March 2022	3.333333
15 September 2022	3.333333
15 March 2023	3.333333
15 September 2023	3.333333
15 March 2024	3.333333
15 September 2024	3.333333
15 March 2025	3.333333
15 September 2025	3.333333
15 March 2026	3.333333
15 September 2026	3.333333
15 March 2027	3.333333
15 September 2027	3.333333
15 March 2028	3.333333
15 September 2028	3.333333
15 March 2029	3.333333
15 September 2029	3.333333
15 March 2030	3.333333
15 September 2030	3.333333
15 March 2031	3.333333
15 September 2031	3.333333
15 March 2032	3.333333
15 September 2032	3.333333
15 March 2033	3.333333
15 September 2033	3.333333
15 March 2034	3.333333
15 September 2034	3.333333
15 March 2035	3.333333
15 September 2035	<u>3.333343</u>
TOTAL	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, 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.

Retroactive Financing

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Rural Connectivity Investment Program – Project 3)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	273,000,000		
1A	Assam		27,290,000	54% of total expenditure claimed
1B	Chhattisgarh		39,030,000	54% of total expenditure claimed
1C	Madhya Pradesh		51,720,000	54% of total expenditure claimed
1D	Odisha		109,550,000	54% of total expenditure claimed
1E	West Bengal		28,760,000	54% of total expenditure claimed
1F	RRNMU Buildings		16,650,000	66.6% of total expenditure claimed
	Total	273,000,000		

SCHEDULE 4

Procurement of Works

General

1. The procurement of Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Works

3. Except as ADB may otherwise agree, Works shall only be procured on the basis of the method of procurement set forth below: National 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.

National Competitive Bidding

5. The Borrower shall cause MORD and the relevant State to, and ADB shall, ensure that any procurement activity under national competitive bidding is consistent with the Procurement Guidelines. The PMGSY standard bidding document, and procurement procedures each of such standard bidding document and procurement procedures as amended by agreement by ADB, and used for national competitive bidding under Rural Roads Sector II Investment Program [Loan No. 2248 (Assam, Odisha and West Bengal), Loan No. 2414 (Odisha), Loan No. 2445 (Assam and West Bengal), Loan No. 2535 (Assam, Odisha and West Bengal), and Loan No. 2651 (Chhattisgarh, Madhya Pradesh, Odisha and West Bengal)], as further described in the FAM, shall apply to the Road Subprojects financed under the proceeds of the Loans under the Facility. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall be submitted to ADB together with justification, for ADB's prior approval and incorporation in the Procurement Plan and use under national competitive bidding, and shall become effective only after concurrence of such change by the Borrower and ADB.

Procurement Reviews

6. The Borrower shall cause MORD and the States to allow ADB to carry out procurement audits during Project implementation as part of its regular review process.

Conditions for Award of Contract

7. The Borrower shall cause MORD and the States to ensure that no Works contract is awarded until the relevant Project Executing Agency has incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall cause MORD and the States to ensure that no Works contract is awarded by the relevant Project Executing Agency for a Subproject until a CPF for the Subproject has been prepared.

9. The Borrower shall cause MORD and the States to ensure that no Works contracts are awarded by the relevant Project Executing Agency until the requirements described in paragraphs 22 (subparagraph (a)), 26, 27 (subparagraphs (a) through (c)), and 33 of Schedule 5 to this Loan Agreement have been complied with.

Industrial or Intellectual Property Rights

10. (a) Each Project Executing Agency shall ensure that all Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) Each Project Executing Agency shall ensure that all contracts for the procurement of 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 and the Project Executing Agencies shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail. The Borrower shall ensure that the Project Executing Agencies undertake all activities as included in this Loan Agreement.
2. The Project Executing Agencies shall ensure that the IAs employ sufficient staff for the duration of the Project with adequate and relevant expertise in the field of project management, financial management, engineering, construction supervision, procurement, construction, road maintenance and safety, and environmental and social safeguards implementation. The Project Executing Agencies shall keep the IAs equipped with the necessary office space, facilities, equipment, support staff and management information systems, and cover the costs of social impact mitigation, utility relocation, and road maintenance through annual budget allocations. The Project Executing Agencies shall normally (i) maintain assignment of the same persons to key positions in the IAs for at least three consecutive years, (ii) not leave key positions vacant for more than 30 days, and (iii) not transfer more than one key staff within a 6-month period.
3. Each Project Executing Agency shall assist the related IA in obtaining approvals and clearances for timely Project execution under the PMGSY Guidelines and other applicable laws and regulations of the Borrower and that relevant State.
4. The Borrower and the Project Executing Agencies shall ensure that towards smooth implementation of the Project, grievances if any from stakeholders relating to any Subproject implementation or use of funds under the Project are addressed effectively and efficiently, in accordance with procedures set out in the CPF and reflected in the FAM.

Counterpart Support

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

Subprojects under the Facility along with road safety and road maintenance tasks, and that the PICs shall include, as a minimum, specialists in road maintenance, road safety, social safeguards, gender and environmental safeguards.

Project Implementation Units

7. Each Project Executing Agency shall ensure that the PIUs and the RRNMUs shall implement the Subprojects and carry out necessary coordination with the concerned departments in the State and Panchayats to ensure the smooth implementation of the Subprojects.

Road Maintenance and RRNMUs

8. In accordance with the PMGSY Guidelines, each Project Executing Agency shall provide adequate and timely funding for proper maintenance of the PMGSY roads. Any increases in the actual amounts to be provided shall be met by the respective State through its respective additional budget allocations, or other alternative sources of financing.

9. Except as ADB may otherwise agree, each Project Executing Agency shall require the respective IA (through the PIUs) to ensure proper maintenance of the PMGSY roads until these roads are transferred to the designated Zilla Panchayats in accordance with the PMGSY Guidelines. Each Project Executing Agency shall also allocate the requisite funds to the relevant functionaries at either the Zilla Panchayat or the PIUs, as the case may be, for such maintenance in accordance with the requirements of the PMGSY Guidelines.

10. Each Project Executing Agency shall ensure that either Zilla Panchayat or the PIU, as the case may be, shall ensure further maintenance of roads after completion of the initial 5-year maintenance period under the related contracts.

Road Safety

11. Each Project Executing Agency shall incorporate on a representative sample basis road safety audits accompanied by road safety awareness sessions in the Subproject design process, during construction, and on existing roads and shall ensure that recommendations of the road safety audits are reviewed and promptly incorporated in the design and implemented on existing roads, as appropriate. In this regard each Project Executing Agency shall also create and maintain database on road safety measures as undertaken.

12. Each Project Executing Agency shall ensure that concerned staff of the PIU, participates in road safety audits and develops capacities to conduct the process in-house or to manage the process effectively.

Environment

13. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that the preparation, design, construction, implementation, operation and decommissioning of each Subproject comply with (a) all applicable laws and regulations of the Borrower and of the relevant State relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all

measures and requirements set forth in the relevant IEE and EMP, and any corrective or preventative actions set forth in an EMR.

14. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency monitors the implementation of Subprojects through to the completion of each Subproject and report to NRRDA and ADB on the results of such monitoring.

15. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency shall require the respective IA to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject comply with (a) all applicable laws and regulations of the Borrower and of the relevant State relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the relevant IEE and EMP, and any corrective or preventative actions set forth in an EMR. No construction work shall be undertaken on sections of Subprojects that pass through a forest reserve unless clearance from appropriate authorities is obtained under applicable laws and regulations of the Borrower and each State, and no Subproject shall be located within an environmentally sensitive area such as a wildlife sanctuary, national park, or other areas with significant ecological functions that are declared as national parks, sanctuaries, or national/international cultural heritage. In accordance with the EARF each Project Executing Agency shall require the IA to prepare ECOP checklists for each and every road and bridges longer than 50 meters, based on which Subproject specific EMPs and the IEEs shall be prepared.

Community Participation Framework

16. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that the IAs implement the provisions of the CPF for all Subprojects as agreed upon with ADB and in conformity with all relevant applicable laws and regulations of the Borrower and each State.

17. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that subsequent to award of Works contract under any Subproject, no section or part thereof under the works contract shall be handed over to the contractor unless the applicable provisions of the CPF have been complied with.

18. In case of any significant or related impacts on Scheduled Tribes under any Subproject, the mitigation shall follow the requirements as set out in the CPF and reflected in the FAM as agreed by ADB. As also laid down in the CPF, for any impact on land involving traditional and tenure rights of the Scheduled Tribes, the legal provisions laid down by the Borrower and the related State pertaining to land transfer shall be followed.

19. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that in accordance with CPF identified vulnerable affected persons are "linked with" (i.e., assisted with availing of) relevant government-sponsored poverty alleviation and employment generation schemes and that this is monitored and reported in the SMR.

Land Availability

20. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that the IAs shall not exercise eminent domain or related mechanisms that may be deemed to be compulsory acquisition of land for the purpose of carrying out activities under the Project and that road construction will take place on the available right of way or donated land, in accordance with procedures set out in the CPF and reflected in the FAM, and that all additional RRNMUs will be on land over which any Project Executing Agency, IA or the Borrower have all applicable rights.

21. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that the IAs shall, subject to compliance with the relevant provisions of the CPF and any corrective or preventative actions set forth in a SMR, and in accordance with all relevant applicable laws and regulations of the Borrower and each State, make available the land and rights to land free from any encumbrances, clear the utilities, trees and any other obstruction from such land, required for commencement of construction activities in accordance with the schedule agreed under the related Works contract.

22. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that (a) the IAs shall (i) carry out the community consultation process for all Subprojects in accordance with the PMGSY Guidelines as supplemented by the CPF; (ii) ensure that no affected person will be physically displaced due to voluntary donation; (iii) disseminate the 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 or while implementing 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 shall donate more than 5% of his or her land; and (b) the details of land made available in accordance with the procedures prescribed in the PMGSY Guidelines are reflected in the local land records in a timely manner.

Social Impacts

23. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures social safeguards compliance through implementing Subprojects in accordance with the PMGSY Guidelines and the CPF.

Labor Standards

24. The Borrower shall cause MORD and the States to ensure that Works contracts under the Project follow all applicable labor laws of the Borrower and relevant 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 work), health, safety, welfare, sanitation, and working conditions. Such contracts shall also include causes for termination in case of any breach of the stated provisions by the contractors.

Gender and Development

25. The Borrower shall cause MORD and the States to ensure that (a) the GAP is implemented in accordance with its terms; (b) adequate resources are allocated for implementation of the GAP; and (c) progress on implementation of the GAP, including progress toward achieving key gender output targets, are regularly monitored and reported to ADB.

Human and Financial Resources to Implement Safeguards Requirements

26. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that all necessary budgetary and human resources to prepare, in respect of the relevant State, the CPF and EARF, and to fully implement, in respect of the relevant State, the CPFs and EMPs.

Bidding Documents and Execution of Civil Works Contracts

27. The Borrower shall cause MORD and the States 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 IEEs, EMPs and CPF (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Project Executing Agency with a written notice of any unanticipated environmental, social impacts that arise during construction, implementation or operation of the Project that were not considered in the IEEs, ECOPs, EMPs, and CPFs;
- (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.

28. Subject to compliance with the requirements of the CPF, EARF and respective state-level IEE, the Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency shall (i) include a standard EMP into the bidding documents; and (ii) prepare and provide with the detailed project report a Subproject specific EMP, to enable the contractor to estimate and include the cost required for implementing the EMP in its bid.

29. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that any changes to the land alignment or any environmental or social impacts arising following or during the preparation of detailed designs of related Subproject roads or during implementation shall be subject to prior approval by ADB or related Project Executing Agency, as the case may be, in accordance with the Subproject selection criteria and procedures included in Schedule 4 to the FFA.

Safeguards Monitoring and Reporting

30. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures the following:

- (a) submit annual Safeguards Monitoring Reports to NRRDA, ensure that copies thereof are promptly provided to ADB for disclosure on the ADB website, 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 IEEs, EMPs, and CPFs, 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, IEEs, EMPs and CPFs promptly after becoming aware of the breach.

Prohibited List of Investments

31. The Borrower shall cause MORD and the States to ensure that the relevant Project Executing Agency ensures that no proceeds of the Loans are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Development Coordination

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

Governance and Anticorruption

33. The Borrower, MORD, the States and the Project Executing Agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date), (b) ensure that anticorruption provisions acceptable to ADB, the Borrower, the States and the Project Executing Agencies 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 States and Project Executing Agencies, IAs and all contractors, suppliers, consultants, and other service providers as they relate to the Project and as included in the FAM; (c) 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; (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.

34. The Project Executing Agencies shall announce the Project and business opportunities associated with the Project on the PMGSY website. The website shall disclose the following information in relation to Goods and Works 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 Works procured.

35. The Project Executing Agencies through the independent quality monitors under PMGSY shall conduct periodic inspections and random spot checks of contractors' Project related activities, bills and supporting documents.

Monitoring and Reporting

36. Towards establishing and maintaining a systematic overall project performance management system, in form and substance acceptable to ADB (PPMS), to be used throughout the life of the Project, MORD, through NRRDA, shall maintain the online monitoring, management and accounting system (OMMAS) as improved for consistency with requirements of PPMS. NRRDA, with the support of TSC, shall establish, within 3 months following the Effective Date, a baseline for performance indicators to be used for monitoring implementation of the Project. It shall conduct annual evaluation surveys for each Project, in accordance with the PPMS, to evaluate the scope, implementation arrangements, progress, and achievement of the outcomes and outputs. Further details of performance monitoring and evaluating are described in the FAM.

37. Each Project Executing Agency through the respective IA, shall maintain and implement a PPMS in respect of that State (State PPMS). Each Project Executing Agency through the respective IA shall undertake periodic Subproject performance review under the Project, in accordance with the State PPMS, to evaluate the scope, implementation arrangements, progress and achievements of objectives of the Project.

38. Without limiting the generality of Section 2.08 of the Project Agreements, each State through the respective IA shall submit to MORD the monthly progress reports on the implementation of the Subprojects under the Project. Based on these reports, MORD through NRRDA shall prepare and provide ADB with quarterly progress reports on the implementation of the Subprojects under the Project within 45 days of the close of each quarter.

39. Without limiting the generality of Section 2.08(c) of the Project Agreements and Section 7.04(d) of the Loan Regulations, MORD/NRRDA shall through the Borrower submit to ADB a project completion report within 3 months of physical completion of the Project. The report shall include a detailed evaluation of the Project, covering the design, costs, contractors' performance, social and economic impact, economic rate of return,

implementation of social and environmental safeguard measures and other details relating to Project, as may be requested by ADB.

40. ADB, the Borrower and Project Executing Agencies shall meet regularly as required to discuss Project progress and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving overall Project objectives.

Undertakings

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