
LOAN NUMBER 2444-IND

LOAN AGREEMENT
(Ordinary Operations)

(Orissa Integrated Irrigated Agriculture and Water Management Investment Program --
Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 25 FEBRUARY 2009

LAL:IND 38411

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 25 February 2009 between INDIA acting by its President (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called 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 (hereinafter called the "Project");

(B) the Borrower has also applied to the OPEC Fund for International Development (hereinafter called "OFID") for a loan in the amount of thirty million dollars (\$30,000,000) for the purposes of the Project;

(C) the Project will be carried out by the State of Orissa (hereinafter referred to as the State) acting through its Department of Water Resources (hereinafter called DOWR), and for this purpose the Borrower will make available to the State the proceeds of the Loan provided for herein upon terms and conditions mutually agreeable to ADB and the Borrower;

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the State; and

(E) ADB also agreed upon the request of the State to provide technical assistance in an amount of two hundred fifty thousand dollars (\$250,000) on a grant basis from the Multi-Donor Trust Fund under the Water Financing Partnership Facility that will be administered by ADB to support a portion of studies for integrated water resources management;

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, 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 thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

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

Commitment Charge; Credit. (aa) 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.

(bb) 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 amount of the credit against the interest payable by the Borrower.

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

(aa) 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.

(bb) 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:

(aa) 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.

(bb) 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, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);

(b) "DOWR" means the Department of Water Resources of the State and any successor thereto;

(c) "EARF" means the Environmental Assessment and Review Framework as agreed among the Borrower, the State and ADB and incorporated by reference in Schedule 5 to the FFA;

(d) "EIA" means the Environment Impact Assessment;

(e) "EMP" means the Environment Management Plan as agreed among the Borrower, the State and ADB;

(f) "Executing Agency" or "EA" for the purposes of the Loan Regulations means the State acting through the DOWR;

(g) "FAM" means the facility administration memorandum to be prepared and agreed among the Borrower, the State and ADB to facilitate implementation and processing of the Facility and related PFRs;

(h) “FFA” means the Framework Financing Agreement dated 8 August 2008 between ADB and India for the Facility;

(i) “Facility” means the multitranche financing facility provided by ADB to the Borrower in accordance with ADB’s policy on Pilot Financing Instruments and Modalities (R194-05, 4 August 2005);

(j) “Goods” means equipment and materials to be financed out of the proceeds of the Loan; including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(k) “IEE” means Initial Environmental Examination;

(l) “IPDF” means the Indigenous Peoples Development Framework as agreed among the Borrower, the State and ADB and incorporated by reference in Schedule 5 to the FFA;

(m) “IPDP” means the Indigenous Peoples Development Plan as applicable for a Subproject and agreed among the Borrower, the State and ADB;

(n) “Investment Program” means the entire program for the State irrigation program as described under the FFA;

(o) “O&M” means operation and maintenance;

(p) “OFID Loan Agreement” means the loan agreement between the Borrower and OFID for the purposes of the Project”;

(q) “PFR” means the periodic financing request to be submitted by the Borrower for purposes of each loan under the Facility and for purposes of this Loan Agreement means the PFR dated 8 August 2008;

(r) “Procurement Guidelines” means ADB’s Procurement Guidelines (2007, as amended from time to time);

(s) “Procurement Plan” means the procurement plan for the Project dated 7 August 2008 and agreed among the Borrower, the State and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(t) “Project” means as generally defined under the Loan Regulations and referred to as Project 1 under the Investment Program for this Loan Agreement;

(u) “RF” means the Resettlement Framework as agreed between the Borrower, the State and ADB and incorporated by reference in Schedule 5 to the FFA;

(v) “RP” means the Resettlement Plan prepared or to be prepared as applicable for a Subproject and as agreed among the Borrower, the State and ADB;

(w) “SEIA” means a summary EIA;

- (x) "SIEE" means a summary IEE;
- (y) "State" means the State of Orissa of the Borrower;
- (z) "Subproject" means such proposal that is prepared by the EA under the Project as detailed in Schedule 1 to this Loan Agreement, in compliance with the selection criteria set forth in Schedule 4 to the FFA; and
- (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.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of sixteen million five hundred thousand dollars (\$16,500,000), 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 18 years, and a grace period as defined in paragraph (c) of this Section.

(c) The term "grace period" as used in paragraph (b) of this Section 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 LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.40% 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 sixty (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 March and 01 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 paragraph (a) of this Section 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 State and shall cause the State 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 Goods, Works and consulting services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and consulting services shall be 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, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting services have 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 Goods, Works and consulting services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 30 September 2013 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 State to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and irrigation practices.

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

Section 4.02. The Borrower shall make available to the State, promptly as needed, the funds, facilities, services and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall 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 take all action which shall be necessary on its part to enable the State to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the financing arrangements to the State in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the financing arrangements shall be assigned, amended, abrogated or waived without prior notice to ADB.

ARTICLE V**Effectiveness**

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purpose of Section 10.01(f) of the Loan Regulations: the OFID Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to the effectiveness of such Loan Agreement (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the 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) 2309-4075

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2391.

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

INDIA

By



GOVIND MOHAN
Joint Secretary (Infra)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By



TADASHI KONDO
Country Director
India Resident Mission

SCHEDULE 1

Description of the Project

1. The Project comprises the following as described in greater detail in the PFR:

Part A: Productive and Sustainable Irrigated Agriculture and Water Management Systems (for Subprojects under major and medium irrigation and minor lift irrigation schemes)

- (a) Subproject agency preparation comprising participatory planning and water user association strengthening
- (b) Subproject implementation – Civil works and equipment for (i) irrigation and associated infrastructure including command area development; (ii) agriculture support and livelihood enhancement; and (iii) sustainable infrastructure O&M systems

Part A will cover the existing irrigation schemes located in the Brahmani, Baitarani, Burhabalanga, and Subernarekha River basins, and a portion of the Mahanadi River delta areas (specifically, Taladanda, Remal, Gohira, and Sunei schemes for components (a) and (b), and Mahanadi Chitropala Island Irrigation (MCII) for component (a) only), along with existing minor lift irrigation schemes.

Part B: Institutional Strengthening and Project Management

- (a) Institutional strengthening; and
- (b) Project management

Part B will support the institutional development actions (as stipulated in the Roadmap) and Project management, including the preparation of the schemes and the associated initial participatory processes for Subprojects to be proposed for subsequent PFRs.

2. The Project is expected to be completed by 31 March 2013.

SCHEDULE 2

Amortization Schedule

(Orissa Integrated Irrigated Agriculture and Water Management Investment Program – Project 1)

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

Date Payment Due	Installment Share ¹ (Expressed as a % based on 10% annuity)
1 Mar 2016	1.043446
1 Sep 2016	1.095618
1 Mar 2017	1.150399
1 Sep 2017	1.207919
1 Mar 2018	1.268315
1 Sep 2018	1.331731
1 Mar 2019	1.398317
1 Sep 2019	1.468233
1 Mar 2020	1.541645
1 Sep 2020	1.618727
1 Mar 2021	1.699664
1 Sep 2021	1.784647
1 Mar 2022	1.873879
1 Sep 2022	1.967573
1 Mar 2023	2.065952
1 Sep 2023	2.169249
1 Mar 2024	2.277712
1 Sep 2024	2.391597
1 Mar 2025	2.511177
1 Sep 2025	2.636736
1 Mar 2026	2.768573
1 Sep 2026	2.907002
1 Mar 2027	3.052352
1 Sep 2027	3.204969
1 Mar 2028	3.365218

1 Sep 2028	3.533479
1 Mar 2029	3.710153
1 Sep 2029	3.895660
1 Mar 2030	4.090443
1 Sep 2030	4.294965
1 Mar 2031	4.509714
1 Sep 2031	4.735199
1 Mar 2032	4.971959
1 Sep 2032	5.220557
1 Mar 2033	5.481585
1 Sep 2033	5.755636
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 Goods, Works, consulting services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages 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 notice to the Borrower and the State, (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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with and by notice to the Borrower and the State, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works and consulting services shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account: Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at the Reserve Bank of India. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures under the Project, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon among the Borrower, the State and ADB.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable 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 percent of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Orissa Integrated Irrigated Agriculture and Water Management Investment Program – Project 1)				
CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing		Percentage of ADB Financing from the Loan Account
		Category	\$ Subcategory	
1	Works	5,600,000		
1A	Major and Medium Schemes (Main and Distributory Canals)		4,300,000	21 percent of total expenditure claimed
1B	Major and Medium Schemes (Minor Canals)		0	0 percent of total expenditure claimed
1C	Command Area Development		600,000	100 percent of total expenditure claimed *
1D	Minor Lift Schemes		0	0 percent of total expenditure claimed
1E	O&M Support		100,000	40 percent of total expenditure claimed
1F	Other		600,000	90 percent of total expenditure claimed
2	Vehicles and Equipment	1,200,000		
2A	Minor Lift Equipment		0	0 percent of total expenditure claimed
2B	Vehicles		100,000	90 percent of total expenditure claimed
2C	Equipment and Materials		1,100,000	89 percent of total expenditure claimed
3	Specialist Services	4,800,000		
3A	NGO Social Mobilization		700,000	100 percent of total expenditure claimed *
3B	TA Consultants		3,100,000	100 percent of total expenditure claimed *
3C	Minor Lift Implementation		600,000	100 percent of total expenditure claimed *
3D	Resettlement Plan Implementation		100,000	100 percent of total expenditure claimed *
3E	Studies		300,000	90 percent of total expenditure claimed
4	Surveys and Investigation	500,000		75 percent of total expenditure claimed
5	Training	1,200,000		100 percent of total expenditure claimed *
6	Incremental Operational Costs	900,000		100 percent of total expenditure claimed *
7	Unallocated	2,300,000		
	Total	16,500,000		

* Excluding taxes.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

A. General

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

B. Procurement for Goods and Works

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

National Competitive Bidding
Shopping
Direct Contracting
Community Participation

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.

4. National Competitive Bidding. Prior to the commencement of any procurement activity under national competitive bidding, ADB and the State shall review the Borrower's and the State's public procurement laws and regulations to ensure consistency with the Procurement Guidelines. 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 become effective only after written approval of such change by the Borrower and ADB.
5. Community Participation in Procurement. The State may use community participation in procurement for Works contracts for minor lift irrigation schemes and for construction of sub-minors and field channels for the Taladanda, Sunei, Gohira and Remal canal systems in accordance with the agreed procedures set out in the Procurement Plan.

C. Conditions for Award of Contract

6. The Borrower shall cause the EA not to award any Works contracts financed under the Loan until activities referred under paragraphs 10 through 12 of Schedule 5 to this Loan Agreement are complied with as applicable.

D. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall cause the EA to apply quality- and cost-based selection for selecting and engaging consulting services.

8. The Borrower shall cause the EA to apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Single Source Selection (SSS)

9. The Borrower shall cause the EA to recruit the individual consultants for training in accordance with procedures acceptable to ADB for recruiting individual consultants.

E. Industrial or Intellectual Property Rights

10. (a) The Borrower shall cause the EA to ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

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

11. The Borrower shall cause the EA to 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.

F. ADB's Review of Procurement Decisions

12. All contracts procured under national competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower, the State and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Project Executing Agency shall be the State acting through DOWR. DOWR shall be responsible for overall strategic guidance, supervision and quality assurance of works while ensuring compliance with assurances and due diligence.
2. A State-level Project Steering Committee (PSC) shall provide policy guidance, inter-ministerial coordination, and shall take decisions on the Project. The PSC shall be chaired by the Agriculture Production Commissioner, or an officer not below the level of Secretary to the State, and the members shall include secretaries, directors, and/or representatives of all relevant departments and agencies of the State. Under the PSC, a project coordination working group (PCWG) chaired by Secretary of DOWR shall provide regular coordination with the nodal officers assigned by the concerned departments and agencies of the State.
3. The Project Management Unit (PMU), which has been established in DOWR under the Command Area Development/Participatory Irrigation Management (CAD/PIM) Directorate and with the assignment of a full-time Project Director, shall be responsible for the identification, formulation, implementation, and O&M of all Subprojects including conformance with the State, national and ADB social and environmental safeguards policies. The PMU shall: (i) coordinate with other agencies concerned, (ii) prepare an overall implementation plan and annual project budget; (iii) guide the feasibility studies and endorse subproject appraisal reports including the safeguards documents, (iv) monitor and guide the activities of the Subproject Implementation Offices (SIOs) on subproject planning, implementation and O&M, (v) manage and guide safeguards action plans and implementation; (vi) establish and maintain a management information system (MIS), (vii) monitor overall project progress and evaluate project benefits and social and environmental impacts, (viii) arrange for necessary staff training programs; (ix) manage procurement, consulting and NGO services, and loan disbursement; (x) maintain financial accounts; and (xi) prepare periodic implementation progress reports. The Project Director shall be responsible for overall management of the Project, and coordination with and reporting to the State Government and ADB. A dedicated design cell for the Project shall be established and made functional under Chief Engineer Design.
4. For major and medium schemes, under the PMU, the EA shall ensure that six SIOs are established for the six major subprojects and six SIOs are established for the nine medium subprojects, building on the existing establishments at the field level. The SIOs shall be comprised of technical, CAD, and water user association (WUA) support cells, constituted by staff from DOWR, CADA, and NGOs engaged for WUA strengthening, PIM/CAD, and agriculture. The WUA support cell shall also have a number of support service teams mobilized through an NGO comprising three persons with technical orientation in community mobilization, agriculture extension and agribusiness, and CAD and on-farm water management who work closely with the assigned WUA and its DOWR counterpart staff. For

each scheme there shall be a subproject manager who is a superintending engineer or an executive engineer (for some medium schemes). A resettlement unit shall also be set up as required.

5. For minor lift schemes, the EA shall ensure that the PMU has a lift irrigation cell comprising deputed engineer(s) from OLIC, two economists, one of whom shall be the team coordinator, one monitoring and evaluation expert and three mobile teams comprising an engineer and an agriculture specialist. The PMU shall be assigned for central procurement, subproject planning including feasibility studies, and monitoring and evaluation. Under the PMU, up to four SIOs shall be established to implement up to 300 ongoing schemes at a time in the project geographical areas, comprising WUA specialist (designated as subproject manager), on-farm water management/ agriculture specialist, work inspector, and a deputed engineer from OLIC. The PMU and SIO staff for minor lift schemes shall be primarily engaged through a local firm as minor lift irrigation implementation consultants, who will also be associated with local NGOs to mobilize field level community organizers cum coordinator to support institution building and program delivery of up to 20 WUAs for a two-year implementation period.

6. In support of the implementation of the Project, the EA through the Water and Land Management Institute (WALMI) shall provide necessary backup and training support, along with other organizations engaged for training purposes.

7. The EA shall put into operation the specific arrangements to improve quality of implementation of the Investment Program as identified below:

- (a) The EA will make joint decision making systems operational with their counterpart WUAs and their higher-tier committees regarding all planning and implementation matters as well as subproject O&M, through regular WUA-SIO meetings on progress review, annual and periodic work plans and schedules. The WUAs will also be assigned and trained to participate in monitoring of civil works contracted by the SIO.
- (b) The EA shall post the physical and financial details and project progress in the department website, along with the tenders and contracts awarded. For individual subproject, the SIOs will post the abstract of all contracts executed, including the quantity of works and their associated costs.
- (c) The EA shall ensure that the grievance reporting and redressal mechanisms are in place to assist stakeholders in resolving their complaints in a timely manner. To this end, the PMU and SIOs will organize awareness campaigns for WUAs and other stakeholders.
- (d) The EA, through its internal audit wing, shall undertake annual financial audit for all SIOs and associated offices, which will include investigation of all financial records and transactions.

- (e) The EA shall strengthen its construction supervision, recording, and reporting system with the use of modern technologies, establish a quality control cell, and operationalize internal third party technical audit mechanism. Accordingly, all work contracts will include provisions for third party inspection for quality control. External monitoring, supervision, and technical audit consultants will also be mobilized under the ISPM consultant team.
- (f) All contracts financed by ADB for the project will include provisions stipulating ADB's right to audit and examine the records and accounts of the contractor.
- (g) The EA shall carry out the subprojects under the Facility in manner consistent with the Poverty Reduction and Social Strategy, including the Gender Action Plan, dated 20 December 2007, prepared in relation to the Investment Program.

Subproject Selection and Implementation

8. (a) The EA shall ensure that all Subprojects are selected and processed for approval, in accordance with the criteria and procedures included under Schedule 4 to the FFA, as agreeable to ADB, the Borrower and the State .
- (b) The EA shall post the procurement documents, the criteria for Subproject selection and details of sanctioned contracts/Subprojects on the State's Investment Program office bulletin board and its website.

Institutional Reforms and Sustainability

9. The State shall implement all policy and institutional actions as specified in Table 2 of Appendix 2 and stipulated as the sector roadmap in the FFA, including actions to implement State Water Policy 2007 and State Water Plan 2004; organizational reforms and strengthening of DOWR and associated institutions; reforms in the pani panchayat legal framework; progress in irrigation management transfer; sustainable O&M; and steps towards operationalizing IWRM.
10. The State shall ensure adequate funds towards O&M of the Project facilities through budgetary allocations or other means, to be provided to DOWR during and after Subproject completions.

Safeguards and Social IssuesEnvironment

11. The EA shall ensure that:

(a) the Project is carried out and all Subproject facilities designed, constructed, operated, maintained, and monitored in compliance with the environmental laws and regulations of the Borrower, the State, ADB's Environment Policy (2002), and the EARF;

(b) an IEE as required, including an EMP with budget identifying the cost of its implementation as incorporated in the related bid document if any, in consultation with stakeholders for each Subproject, in accordance with the EARF shall be submitted to ADB for review and clearance before award of related contract. In case of any environmental assessment for a Subproject classified as A or B sensitive, this shall be subject to the 120 day public disclosure requirement under ADB's Environment Policy (2002);

(c) all mitigation measures identified in the EMP for each Subproject shall be incorporated in Subproject design, and carried out during construction, and O&M, and disclosed to stakeholders;

(d) if there are any changes in specific locations or alignments of any Subproject facilities after completion of the process of IEE (or EIA) or due to detailed design or implementation that has an impact on the environmental assessment carried out thus far, then additional environmental assessment shall be carried out in accordance with applicable laws and regulations of the Borrower, the State, and ADB's Environmental Policy (2002) and the EARF, and prior clearance of ADB obtained before further physical implementation of the Subproject;

(e) all environmental clearances required by applicable laws, and regulations at Borrower, State, or local levels shall be obtained in a timely manner, prior to commencement of civil works for the relevant Subproject, and

(f) semi-annual progress reports on the implementation of the EMPs shall be carried out as a part of Project implementation and submitted to ADB for review and disclosure in accordance with ADB's Public Communications Policy (2005).

Land Acquisition, Resettlement

12. The EA shall:

(a) undertake the Project in accordance with the Borrower's and State laws and regulations, ADB's Policy on Involuntary Resettlement (1995) and the RF;

(b) ensure that to the extent possible, Subprojects will not require land acquisition or involuntary resettlement; however, if land acquisition and/or involuntary resettlement are required for any subproject; the EA shall ensure the following:

- (i) a RP for the Subproject, acceptable to ADB is prepared, in accordance with applicable laws and regulations of the Borrower and the State, and the RF, and submitted to ADB for review and approval before award of related civil works contract proper consultation during preparation of the RP with the affected persons, as also disclosure of the RP to the affected persons including information on land acquisition and compensation process undertaken;
- (ii) all land, rights of way and other land-related rights required for the Subproject are acquired or made available;
- (iii) all affected persons are compensated in accordance with the agreed RP before commencement of civil works under the related subproject including any section-wise handover thereof, strictly in accordance with the stipulation in the related civil works contract. If during detailed design and implementation, any modification and/additional land acquisition or involuntary resettlement impacts are identified, the RP will be prepared (or modified if existing) in accordance with applicable laws and regulations of the Borrower and the State, and the RF and prior approval of ADB obtained before further implementation of RP;
- (iv) ensure that efficient grievance redressal mechanisms are in place in accordance with the related RP to assist affected persons resolve queries and complaints if any, in a timely manner.

Indigenous Peoples

13. The EA shall ensure that if any impact is identified during planning, design, or implementation of any Subproject on indigenous peoples, that an IPDP or integration of specific actions for the indigenous people in the RP is prepared in accordance with ADB's Policy on Indigenous People (1998) and the IPDF and that the same is further (i) approved by ADB before award of related civil works contract, and (ii) implemented before commencement of related civil works contract. Any update to the IPDP due to detailed designs or during implementation shall follow requirements similar to the RPs.

Other Social Issues

14. The EA shall ensure that civil 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 by the State/EA in case of any breach of the stated provisions by the contractors.

Performance Monitoring and Evaluation: Reports

15. (a) The EA shall ensure that an Investment Program performance monitoring system (IPPMS) satisfactory to ADB is established within three months of Effective date. The IPPMS shall monitor and evaluate the performance of the Investment Program, Facility, as well as of the Project and the Subprojects, including key impact and outcome indicators and associated assumptions with corresponding target dates.

(b) Without limiting the generality of Section 2.08 of the Project Agreement the State shall, after physical completion of the Project, but in any event not later than three months thereafter or such later date as ADB may agree for this purpose, prepare and furnish to ADB a report under intimation to the Borrower, in such form and in such detail as ADB shall reasonably request on the Project.

Review

16. Based on a review of quarterly progress reports provided under section 2.08 of the Project Agreement, ADB, Borrower and State representatives shall meet as required to discuss the progress of the Project, Facility and the Investment Program, any changes to implementation arrangements, or remedial measures required to be undertaken to achieve the overall objectives of specific Subprojects and components and of the overall Facility and Investment Program. In addition to regular reviews, including a midterm review for the Project, a detailed midterm review of the Facility will be undertaken within no later than four years of the Effective Date. The midterm review shall include a detailed evaluation of the scope of the Facility, implementation arrangements, any outstanding issues, environment, resettlement and other safeguard issues, achievement of scheduled targets, contract management progress, and other issues, as appropriate.