
LOAN NUMBER 2537-IND

TECHNICAL ASSISTANCE LOAN AGREEMENT
(Ordinary Operations)

(Developing Public Resource Management in Mizoram Project)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 17 SEPTEMBER 2009

LAL:IND 41607

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 17 September 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 technical assistance loan (hereinafter called the "TA Loan") for the purposes of Developing Public Resource Management in Mizoram Project (hereinafter called the "Project"), as described in Schedule 1 to this Loan Agreement;

(B) the Borrower has also applied to ADB for a loan from its ordinary capital resources for the purpose of the Mizoram Public Resource Management Program (hereinafter called the "Program") and by an agreement of even date herewith between the Borrower and ADB, ADB has agreed to provide to the Borrower a loan equivalent to \$94,000,000 for the purpose of the Program (hereinafter called the "Program Loan"), as described Schedule 1 to the Program Loan Agreement (hereinafter called the "Program Loan Agreement");

(C) the technical assistance will be carried out by the State of Mizoram (hereinafter called the "State"), under the terms of a project agreement of even date herewith between the State and ADB (hereinafter called the "Project Agreement"), and for this purpose the Borrower will make available to the State the proceeds of the TA Loan provided for herein upon terms and conditions satisfactory to ADB;

(D) the Program will also be carried out by the State, under the terms of a program agreement of even date herewith between the State and ADB (hereinafter called the "Program Agreement"), and for this purpose the Borrower will make available to the State the proceeds of the Program Loan under the Program Loan Agreement upon terms and conditions satisfactory to ADB; and

(E) ADB, has on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from ADB's ordinary operations resources upon the terms and conditions set forth herein and in the Project Agreement;

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 Program Loan Agreement and the Loan Regulations shall 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) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(c) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(d) "Procurement Plan" means the procurement plan for the Project dated 7 July 2009 and agreed between 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;

(e) "Project Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, the State acting through the DOF, as described in paragraph 1 of Schedule 5 to this Loan Agreement;

(f) "Project facilities" means the facilities and equipment provided under the Project;

(g) "Project Implementing Agencies" means DAT, DOT, DOTr, DOHFW, DOSE, DPHE and DOLRS; and

(h) "Works" means construction or civil works to be financed out of the proceeds of the Loan, and 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 six million dollars (\$6,000,000), 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 12 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 1 February and 1 August 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 cause the State to apply the proceeds of the Loan to the financing of expenditures for the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The Goods, Works and consulting services and other items of expenditure 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 and other items of expenditure 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 31 January 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, fiscal and public resources management practices.

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

Section 4.02. The Borrower shall cause the State to make available, 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 and for the operation and maintenance of the facilities.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause the State to employ competent and qualified consultants, acceptable to ADB, to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the State to carry out the Project in accordance with plans, specifications and work schedules acceptable to ADB. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of the State with respect to the carrying out of the Project and operation of the facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

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 Program Loan Agreement shall have been suspended and/or cancelled.

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. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

- (a) the Program Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and all conditions precedent to their effectiveness (other than conditions requiring the effectiveness of this Loan Agreement, the Program Agreement and the Project Agreement) shall have been fulfilled;
- (b) the Program Agreement shall have been duly executed and delivered on behalf of the State and all conditions precedent to their effectiveness (other than conditions requiring the effectiveness of this Loan Agreement, the Program Loan Agreement and the Project Agreement) shall have been fulfilled; and
- (c) the Project Agreement shall have been executed and delivered on behalf of the State and all conditions precedent to their effectiveness (other than conditions requiring the effectiveness of this Loan Agreement, the Program Loan Agreement and the Program Agreement) shall have been fulfilled.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. Any of 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

Facsimile Numbers:

(91-11) 2309-2477
(91-11) 2309-7511

For ADB

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

Facsimile Numbers:

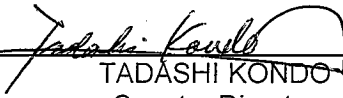
(632) 636-2444
(632) 636-2337.

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
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By  _____
TADASHI KONDO
Country Director
India Resident Mission

SCHEDULE 1

Description of the Project

1. The primary objective of the TA Loan is to support the Project Executing Agency and the Project Implementing Agencies in improving the capacity of their fiscal management performance. The secondary objective of the TA loan is to support the State in implementing the Program.

2. The Project consists of the following outputs:

Output 1 - Revenue Administration

Provision of computer hardware and software, training and consulting services to DOR. These inputs will be provided for the purposes of supporting DOR in improving its capacity in revenue administration and carrying out revenue processes.

Output 2 - Project appraisal and monitoring

Provision of equipment, furniture, computer hardware and software, office supplies, training and consulting services to DOF. These inputs will be provided for the purpose of establishing the FMC and capacity development of the FMC and officials of other departments involved in formulation of projects.

Output 3 - Preparation of MTEFs

Provision of training and consulting services to DOHFW, DOSE and DOF. These inputs will be provided for the purposes of supporting DOHFW, DOSE and DOF in preparing and implementing the MTEFs of each of these departments.

Output 4 - Treasury Automation

Provision of equipment, computer hardware and software, training and consulting services to DOF. These inputs will be provided for the purpose of supporting DOF in installing an automated system in nine treasury offices within the State. Support under this output will begin with the treasury office in South Aizawl, as a pilot.

Output 5 - Debt management

Provision of training and consulting services to DOF. These inputs will be provided to enhance the capacity of DOF officials in the areas of debt management, including coordinating public debt information, analyzing total public debt, and developing debt policies and strategies.

Output 6 - Support to Program management

Provision of training and consulting services to DOF and the Project Implementing Agencies staff on the Program management and coordination.

3. The Project is expected to be completed by 31 July 2012.

SCHEDULE 2

Amortization Schedule (Developing Public Resource Management in Mizoram Project)

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

<u>Sequence</u>	<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
1	1 February 2013	2.247090
2	1 August 2013	2.359445
3	1 February 2014	2.477417
4	1 August 2014	2.601288
5	1 February 2015	2.731352
6	1 August 2015	2.867920
7	1 February 2016	3.011316
8	1 August 2016	3.161881
9	1 February 2017	3.319975
10	1 August 2017	3.485974
11	1 February 2018	3.660273
12	1 August 2018	3.843286
13	1 February 2019	4.035451
14	1 August 2019	4.237223
15	1 February 2020	4.449085
16	1 August 2020	4.671539
17	1 February 2021	4.905116
18	1 August 2021	5.150371
19	1 February 2022	5.407890
20	1 August 2022	5.678285
21	1 February 2023	5.962199
22	1 August 2023	6.260309
23	1 February 2024	6.573324
24	1 August 2024	6.901991
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)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories 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 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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, 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 for financing Goods, Works, and consulting services and other items 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.

Statement of Expenditures

5. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under SOE procedure shall not exceed \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Developing Public Resource Management in Mizoram Project)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing [\$] Category	Percentage of ADB Financing from the Loan Account
1	Equipment and Technology	1,820,000	100 percent of total expenditure
2	Training/Workshops	1,333,000	84 percent of total expenditure claimed
3	Consulting Services	1,326,000	79 percent of total expenditure claimed
4	Operations	634,000	55 percent of total expenditure claimed
5	Unallocated	887,000	
	Total	6,000,000	

SCHEDULE 4

Procurement of Goods and 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

The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower and/or the State 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. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent 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.

C. Selection of Consulting Services

5. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, Borrower shall apply quality- and cost-based selection for selecting and engaging firms.
6. The Borrower shall cause the State to recruit individual consultants for (i) preparing tax information management system, (ii) preparing and implementing MTEF and MTEF, (iii) supporting MHCS capacity building, (iv) supporting Program coordination, (v) preparing Debt management manual, (v) supporting the establishment of finance commission and project monitoring cell of DOF, (vi) preparing performance-based budget, (vii) preparing the treasury computerization, health sector MIS, pension, (viii) PSE restructuring and/or consolidation options, and (ix) supporting labor rehabilitation, in accordance with procedures acceptable to ADB for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

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

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

8. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Project Executing Agency and Project Implementing Agencies

1. (a) The DOF shall be the Project Executing Agency and shall be responsible for the overall implementation of the Project.

(b) DAT, DOT, DOTr, DOHFW, DOSE, DPHE and DOLRS shall be the Project Implementing Agencies. Each of the Project Implementing Agencies, shall be responsible for carrying out the Project activities that are within their respective responsibilities.

Project Coordination

2. The PSC under the Program shall also be the PSC for the Project. The PSC shall be responsible for overall direction, guidance, monitoring and providing oversight role under the Project. The PSC shall be chaired by the Principal Secretary of DOF and include all Principal Secretaries or Secretaries of each of the Project Implementing Agencies. The PSC shall report to the Chief Minister through the Chief Secretary. The PSC shall meet, as and when necessary, at least once every quarter.

3. The FMU shall serve as the project management unit and shall facilitate the various activities under the Project. The FMU shall be responsible for daily implementation of the Project under the guidance of the PSC. Towards this end, FMU shall (i) coordinate with, and help to the extent necessary, the various PIUs established in each of the Project Implementing Agencies, to carry out their functions in support of the Project; and (ii) coordinate with ADB and various stakeholders and solicit feedback from experts from within and outside the Government on a regular basis.

4. The PIUs shall liaise closely with the PSC through the FMU. Each of the PIUs shall be chaired by the head of the relevant Department and shall report directly to the Principal Secretary or Secretary of the respective Program Implementing Agency.

TA Loan Proceeds

5. The Borrower shall transfer the TA Loan proceeds to the State under the Borrower's normal arrangements for transferring external assistance to the State. The Borrower shall ensure that such transfer shall be additional to the transfer allocated annually to the State.

Matching Funds

6. The Borrower shall cause the State to provide Matching Funds for the implementation of the Project on time. Each of the Project Implementing Agencies shall make timely submission of annual budgetary appropriation request to DOF and the State shall ensure prompt disbursement of appropriated funds during each year of the Project implementation.

7. The Borrower shall cause the State to provide the TA Loan proceeds and the Matching Funds to each of the Project Implementing Agencies promptly to ensure the smooth implementation of the Project.

Capacity Development Plans

8. The Borrower shall cause the State to ensure that each of the Project Implementing Agencies shall update their capacity development plans annually.

Social Issues

9. The Borrower shall cause the State to ensure that equal opportunity be given to men and women staff from each of the Project Executing Agency and Project Implementing Agencies to receive the various training provided under the Program. The State shall include a list of the training participants, in the quarterly report, to show the number of women staff who participated in the various training programs.

Accounting, Auditing and Reporting

10. The Borrower shall cause the State to maintain separate records of account for the TA loan. To ensure proper fund management, ADB retains the right to audit the use of TA loan proceeds. The State, through the FMU, shall prepare a quarterly consolidated progress report on specific actions taken in the TA loan and shall forward the same to ADB and the PSC. The reports shall describe progress made under the TA loan and any changes to the implementation schedule as well as the procurement plan. The reports shall also identify any problems encountered and remedial actions taken. The State shall provide ADB with a Project completion report, within 3 months after Project completion.

Project Performance Management System

11. The PSC and ADB shall monitor the Project as an integral part of the program performance management system. The Project inputs, process, and output indicators will be monitored to determine how they affect impact. Capacity building requirements shall be continuously monitored and reassessed so that capacity building can be tracked as an ongoing process. Special attention will be paid to the capacity of the FMU.