
LOAN NUMBER 2764-IND

LOAN AGREEMENT
(Ordinary Operations)

(Madhya Pradesh Energy Efficiency Improvement Investment Program – Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 17 AUGUST 2011

IND 43467

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 17 August 2011 between INDIA, acting by its President ("Borrower"), and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 20 May 2011 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Madhya Pradesh Energy Efficiency Improvement Investment Program;

(B) by a periodic financing request dated 20 May 2011, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by the State of Madhya Pradesh ("State") acting through Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited ("DISCOM-E"), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited ("DISCOM-C") and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited ("DISCOM-W"), and for this purpose the Borrower will make available to the State, DISCOM-E, DISCOM-C and DISCOM-W, the proceeds of the loan provided for herein upon terms and conditions mutually agreeable to ADB and the Borrower, as stipulated in Section 3.01 of this Loan Agreement; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB on the one part and the State, DISCOM-E, DISCOM-C, and DISCOM-W 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 amount of the credit against the interest payable by the Borrower.

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

(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:

(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) “DISCOM” means each and any of DISCOM-E, DISCOM-C and DISCOM-W;

(b) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(c) “Environmental Management Plan” or “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(e) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(f) “FAM” means the facility administration manual dated 20 May 2011 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;

(g) “FFA” means the framework financing agreement dated 20 May 2011 between ADB and the Borrower with respect to the Facility;

(h) “Gender Action Plan” means the gender action plan developed for the Investment Program by the Borrower and approved by ADB;

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

(j) “HVDS” means high voltage distribution systems;

(k) “Indigenous Peoples Plan” or “IPP” means an indigenous peoples plan, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the IPPF and cleared by ADB;

(l) “Indigenous Peoples Planning Framework” or “IPPF” means the indigenous peoples planning framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

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

(n) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(o) “Investment Program” means the Madhya Pradesh Energy Efficiency Improvement Investment Program;

(p) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(q) “kV” means kilovolt;

(r) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(s) “LV” means low voltage;

(t) “Onlending Agreement” means each and any of the onlending agreements to be entered into between the State and the DISCOMs as referred to in Section 3.01(b) of this Loan Agreement;

(u) “PFR” means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 20 May 2011;

(v) “PMU” means each and any of the project management units established for the Investment Program in accordance with the FAM;

(w) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(x) "Procurement Plan" means the procurement plan for the Project dated 20 May 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(y) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means each and any of the State and the DISCOMs or, in each case, any legal successor thereto acceptable to ADB;

(z) "Project facilities" mean the facilities provided or to be provided under the Project;

(aa) "Resettlement Framework" or "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(bb) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(cc) "Rupees" or "Rp" means the currency of the Borrower;

(dd) "Safeguards Monitoring Report" means each report prepared and submitted by the State and the DISCOMs to ADB that describes progress with implementation of and compliance with the EMP, the RP and any IPP (as applicable), including any corrective and preventative actions;

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

(ff) "Subproject" means each and any of the subprojects under the Project as described in Schedule 1 to this Loan Agreement; and

(gg) "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 two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term “grace period” as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.30% 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 July and 15 January 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. (a) The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions mutually agreeable to ADB and the Borrower.

(b) The Borrower shall cause the State to make the proceeds of the Loan available to each of the DISCOMs under Onlending Agreements on terms and conditions mutually acceptable to ADB, the Borrower and the State.

(c) The Borrower shall cause the State and the DISCOMs to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, 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 28 February 2015 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

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

Section 4.02. The Borrower shall make available, or cause to be made available by the State, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

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

Section 4.05. (a) In relation to the Project, the Borrower shall exercise its rights under the financing arrangements with the State pursuant to Section 3.01 (a) of this Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) In relation to the Project, no rights or obligations under such financing arrangements shall be assigned, amended, abrogated or waived without the 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 State or any DISCOM shall have failed to perform any of its obligations under an Onlending Agreement.

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. Any of the Secretary, Additional Secretary, Joint Secretary, Director or Deputy Secretary in the Department of the Economic Affairs, 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:

(9111) 2309-2477
(9111) 2309-2511.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2338.

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 

VENU RAJAMONY
Joint Secretary (MI)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By 

HUN KIM
Country Director

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program and the Project is to improve operational efficiency of electricity distribution in rural areas of the State.
2. The Project shall consist of subprojects under the following components:
 - A. **Feeder Separation**, comprising (i) construction of new 11 kV lines and (ii) rehabilitation and upgrades of existing 11 kV lines, so as to separate power supply to irrigation pumps and households;
 - B. **installation of HVDS**, comprising (i) installation of new distribution transformers and (ii) conversion of bare conductor LV lines to aerial bundled cables;
 - C. **Supply Quality Improvements and Metering**, comprising mapping of distribution assets and associated global positioning system (GPS) surveys, installation of meters, network management improvements of systems at 11kV and below;

all as more fully described in the PFR.
3. The Project is expected to be completed by 31 August 2014.

SCHEDULE 2

Amortization Schedule

(Madhya Pradesh Energy Efficiency Improvement 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.

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
15 July 2016	0.827816
15 January 2017	0.869207
15 July 2017	0.912667
15 January 2018	0.958301
15 July 2018	1.006216
15 January 2019	1.056526
15 July 2019	1.109353
15 January 2020	1.164820
15 July 2020	1.223061
15 January 2021	1.284214
15 July 2021	1.348425
15 January 2022	1.415846
15 July 2022	1.486639
15 January 2023	1.560971
15 July 2023	1.639019
15 January 2024	1.720970
15 July 2024	1.807019
15 January 2025	1.897369
15 July 2025	1.992238
15 January 2026	2.091850
15 July 2026	2.196442
15 January 2027	2.306264
15 July 2027	2.421578
15 January 2028	2.542657

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
15 July 2028	2.669789
15 January 2029	2.803279
15 July 2029	2.943443
15 January 2030	3.090615
15 July 2030	3.245146
15 January 2031	3.407403
15 July 2031	3.577773
15 January 2032	3.756662
15 July 2032	3.944495
15 January 2033	4.141720
15 July 2033	4.348806
15 January 2034	4.566246
15 July 2034	4.794558
15 January 2035	5.034286
15 July 2035	5.286000
15 January 2036	5.550311
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).

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure 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, 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, by notice to and in consultation with 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.

Imprest Account and Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish, and cause to be established, immediately after the Effective Date, (i) a first generation imprest account at the Reserve Bank of India, and (ii) three second generation imprest accounts, one for each DISCOM, at a commercial bank acceptable to ADB (collectively, imprest accounts). The imprest accounts 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 imprest accounts shall only be used for the purposes of the Project. The currency of the first generation imprest account shall be the Dollar, and the currency of the second generation imprest accounts shall be the Rupee. The aggregate amount to be deposited into the imprest accounts shall not exceed the lower of

(i) the estimated expenditure to be financed from the imprest accounts for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest accounts, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of \$100,000.

Retroactive Financing

6. 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, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Madhya Pradesh Energy Efficiency Improvement Investment Program – Project 1)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Equipment	200,000,000		
1A	DISCOM -C		66,470,000	100 % of total expenditure claimed*
1B	DISCOM -E		74,090,000	100 % of total expenditure claimed*
1C	DISCOM -W		59,440,000	100 % of total expenditure claimed*
	Total	200,000,000		

*Exclusive of taxes and duties imposed within the territory of the Borrower

SCHEDULE 4

Procurement of Goods and Works

General

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

Goods and Works

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

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's and the State'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 approval of such change by the Borrower and ADB.

Conditions for Award of Contract

6. The DISCOMs shall not award any Works contract for a Subproject which involves environmental impacts until the relevant DISCOM has:
 - (a) submitted the IEE to ADB; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.

Industrial or Intellectual Property Rights

7. (a) The DISCOMs 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 DISCOMs 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.

ADB's Review of Procurement Decisions

8. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Financial Matters; Other Matters

Implementation arrangements

1. The Borrower, the State and the DISCOMs 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.
2. The Borrower, the State and the DISCOMs shall ensure that the PMUs employ sufficient staff for the duration of the Project with adequate and relevant expertise and shall keep the PMUs equipped with the necessary office space, facilities, equipment, support staff and management information systems for the entire duration of the Project.

Counterpart Support; Onlending Agreements

3. The State and the DISCOMs shall provide, as necessary, counterpart staff, land, facilities, and counterpart funds for each Subproject in accordance with the agreed financing plan. The Borrower and the State and the DISCOMs shall ensure the availability and timely release of counterpart funds for the effective implementation of each Subproject.
4. The State shall ensure that the Loan proceeds are promptly made available to each DISCOM on terms and conditions referred to in Section 3.01(b) of this Loan Agreement. The State shall ensure that the Onlending Agreements, in form and substance mutually satisfactory to ADB and the State, are submitted to ADB within one month from the Effective Date.

Selection Criteria and Approval Process for Subprojects

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

Environment

6. The Borrower shall ensure or cause the State and the DISCOMs 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 relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

7. The Borrower shall ensure or cause the State and the DISCOMs to ensure that all land and all rights-of-way required for each Subproject are made available to the Works contractor in accordance with the schedule agreed under the related Works contract

and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

8. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure or cause the State and the DISCOMs to ensure that no physical or economic displacement takes place in connection with the Subprojects until:

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

Indigenous Peoples

9. The Borrower shall ensure that the Project does not have any impact on indigenous peoples within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the Borrower shall ensure or cause the State and the DISCOMs to ensure that the preparation, design, construction, implementation and operation of the relevant Subproject(s) comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the IPPF; and (d) all measures and requirements set forth in the relevant IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

10. The Borrower shall make available or cause the State and the DISCOMs to make available necessary budgetary and human resources to fully implement the EMP, the RP and any IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

11. The Borrower shall ensure or cause the State and the DISCOMs to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP, the RP and any IPP (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; and

- (c) provide the relevant DISCOM with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the RP or any IPP.

Safeguards Monitoring and Reporting

12. The Borrower shall do the following or shall cause the State and the DISCOMs to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the RP or any IPP, 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 EMP, the RP or any IPP promptly after becoming aware of the breach.

Prohibited List of Investments

13. The Borrower shall ensure or cause the State and the DISCOMs to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

14. The Borrower shall ensure or cause the State and the DISCOMs to ensure that Works contracts follow all applicable labor laws of the Borrower and the State and that these further include provisions to the effect that contractors (i) carry out HIV/AIDS awareness programs for labor and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction; and (ii) follow and implement all statutory provisions on labor (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

Gender and Development

15. The Borrower, the State and the DISCOMs shall comply with and implement the Gender Action Plan in accordance with its terms, allocate adequate resources for such implementation, and shall monitor and report to ADB on key gender outcome and output

targets in accordance with the project performance and monitoring system developed for the Project, including, without limitation, (i) improving energy-based business opportunities for women-headed micro-enterprises; (ii) capacity development of women self-help groups to deliver micro-enterprise development services; and (iii) gender-sensitive user awareness programs and energy conservation.

Financial and organizational matters

16. The DISCOMs shall ensure that, no later than 31 December 2015, each DISCOM (i) shall have installed consumer meters for all non-agricultural consumer connections within its respective license area, and (ii) shall have commenced billing all its non-agricultural consumers exclusively on the basis of metered consumption.

17. The DISCOMs shall ensure that the electricity supply to agricultural water pumps is monitored through meters at appropriate locations in the distribution network.

18. The State shall ensure that the DISCOMs receiving financing under the Facility operate on full cost recovery basis in accordance with the regulatory provisions as applicable.

19. The Borrower and the State shall (i) explore and implement appropriate and fiscally responsible measures to make the DISCOMs financially independent; and (ii) ensure that each DISCOM has henceforth the operational and financial autonomy required to secure and advance its commercial and financial interests.

Debt service coverage ratio

20. From 1 April 2015 onwards, the DISCOMs shall maintain a debt-service coverage ratio of at least 1.2. For the purposes of this provision, the term “debt” means any indebtedness maturing by its terms more than one year after the date on which it is originally incurred.

Operation and maintenance of the Project facilities

21. The DISCOMs shall ensure that sufficient funds are provided to meet any shortfall between the cost and revenues for the operation and maintenance of the Project facilities.

22. The DISCOMs shall ensure that the agricultural customers are provided with 3-phase, good quality power supply for 8 hours a day.

Corporate Social Responsibility

23. The DISCOMs shall conduct an extensive public awareness campaign, including, without limitation, installing appropriate signs and issuing fliers to the public, to ensure that people are aware that HVDS networks may result in serious injury or death in case of attempts to illegally connect to overhead circuits.

24. The DISCOMs shall undertake a public consultation program to understand the service delivery requirements of their consumers and devise a strategy and action plan with time-bound and monitorable targets to improve service standards in accordance with the requirements identified under the public consultation program.

25. The DISCOMs shall conduct (i) public awareness programs to sensitize rural customers in all categories about the need to conserve electricity and water, and (ii) public information campaigns when increasing tariffs.

Loss reduction

26. Starting 1 January 2014, the DISCOMs shall ensure that their respective distribution losses shall not exceed the targets set by the Madhya Pradesh Electricity Regulatory Commission.

Governance and Procurement

27. The Borrower, the State and the DISCOMs shall ensure that in all bidding documents and contracts, the anticorruption provisions mutually agreeable to ADB and the Borrower, the State and DISCOMs are included, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

28. The State and the DISCOMs shall announce the Project and business opportunities associated with the Project on their websites. In addition, the websites shall at least disclose the following information in relation to Works and Goods procured for the Project: (i) the list of participating bidders, (ii) the name of the winning bidder, (iii) the amount of the contracts awarded, and (iv) the goods and services procured.

29. The DISCOMs, through the PMUs and through independent auditors, shall conduct periodic inspections and random spot checks of contractors' activities.