

LOAN AGREEMENT  
(Ordinary Operations)

(Assam Integrated Flood and Riverbank Erosion Risk  
Management Investment Program – Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 10 MAY 2011

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 10 May 2011 between INDIA, acting by its President ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 08 September 2010 between the Borrower and ADB, ADB has agreed to provide a multitranches financing facility to the Borrower for the purposes of financing projects under the Assam Integrated Flood and Riverbank Erosion Risk Management Investment Program;

(B) by a periodic financing request dated 08 September 2010 submitted by the Borrower, 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 Assam ("the State") acting through the Assam Integrated Flood and Riverbank Erosion Risk Management Agency ("AIFRERMA"), 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; 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, the State, and AIFRERMA;

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) "AIFRERMA" means the Assam Integrated Flood and Riverbank Erosion Risk Management Agency, a special purpose vehicle established by the State and registered under the Societies Registration Act, 1860 of the Borrower, and includes its successor entities;

(b) "ASDMA" means the Assam Disaster Management Authority;

(c) "CBFRM" means the community-based flood risk management;

(d) "Component" means each component under the Project as listed under Schedule 1 to this Loan Agreement;

(e) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(f) "Consulting Services" means the services to be financed out of the proceeds of the Loan;

(g) "DMC" means Disaster Management Committees established by the State;

(h) "EARP" means the Environmental Assessment and Review Procedure as agreed between the Borrower, the SEA, and ADB;

(i) "EIA" means the environment impact assessment prepared for a Subproject in accordance with the EARP and agreed between the Borrower, the SEA, and ADB;

(j) "EMP" means environment management plan;

(k) "Facility" means the Assam Integrated Flood and Riverbank Erosion Risk Management Investment Program provided by ADB to the Borrower in accordance with ADB's policy under *Mainstreaming the Multitranches Financing Facility* (R121-08) dated 20 June 2008;

(l) "FAM" means the Facility administration manual for the Facility dated 08 September 2010 and agreed between the Borrower, the SEA, and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, the SEA, and ADB;

(m) "FFA" means the framework financing agreement dated 08 September 2010 entered into between ADB and the Borrower for the Facility;

(n) "FMM" means Financial Management Manual;

(o) "FRERM: means Flood and Riverbank Erosion Risk Management;

(p) "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;

(q) "IEE" means the initial environment examination prepared for a Subproject in accordance with the EARP and agreed between the Borrower, the SEA, and ADB

(r) "IPDF" means the Indigenous Peoples Development Framework as agreed between the Borrower, the SEA and ADB;

(s) "IPDP" means the Indigenous Peoples Development Plan prepared for a Subproject in accordance with the IPDF and agreed between the Borrower, the SEA and ADB;

(t) "IPPMS" means Investment Program Performance Management System;

(u) "ISPM" means institutional strengthening and Project management;

(v) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(w) "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 PFR dated 08 September 2010;

(x) "PMU" means the Project Management Unit established for the Project;

(y) "PPMS" means the Project Performance Management System;

(z) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

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

(bb) "RDMD" means the Revenue and Disaster Management Department of the State;

(cc) "RF" means the Resettlement Framework as agreed between the Borrower, SEA and ADB;

(dd) "RP" means a resettlement plan prepared for a Subproject in accordance with the RF and agreed to between Borrower, the SEA, and ADB;

(ee) "SEA" means the Project executing agency for the purposes of, and within the meaning of, the Loan Regulations, and in this Loan Agreement means the State acting through the AIFRERMA;

(ff) "SIO" means a Subproject implementation officer;

(gg) "State" means the State of Assam;

(hh) "Subproject" means such proposal that is prepared by the SEA that is in compliance with the "Selection Criteria and Approval Procedure for Subprojects" attached as Schedule 4 to the FFA;

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

(jj) "WRD" means the Water Resources Department of the State.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of fifty six million and nine hundred thousand dollars (\$56,900,000), 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 0.30% 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 01 May and 01 November 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 SEA upon terms and conditions mutually agreeable to ADB and the Borrower and shall cause the SEA 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.

(b) The Borrower shall cause the SEA to apply the proceeds of the Loan 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 cause the SEA to procure or cause to be procured items of expenditure in accordance with the

provisions of Schedule 4 to this Loan Agreement, as applicable. 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 ensure that the SEA causes 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 withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 30 September 2014 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 SEA to carry out the Project with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

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

Section 4.02. The Borrower shall make available to the SEA, promptly as needed, the funds, facilities, services, 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 or that of the State and SEA, 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 or shall cause the State to take all actions which shall be necessary to enable the SEA 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) In relation to the Project, the Borrower shall exercise its rights under the financing arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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



**ARTICLE V****Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

**ARTICLE VI****Miscellaneous**

Section 6.01. The Secretary, Additional Secretary, Joint Secretary, Director, or Deputy Secretary in the Department of Economic Affairs of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

**For the Borrower**

The Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
North Block  
New Delhi – 110001  
India

Facsimile Number:  
(91-11) 2309-2477  
(91-11) 2309-2511.


**For ADB**

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

Facsimile Numbers:  
(632) 636-2444  
(632) 636- 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 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), DEA

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
HUN KIM  
Country Director

**SCHEDULE 1****Description of the Project**

1. The Project will assist the State in undertaking following Components that will also be assisted through provision of Consulting Services as applicable.

Component A: Development of FRERM Planning, Institutional, and Knowledge Bases

- (a) Integrated FRERM Planning Framework
- (b) Institutional Basis
- (c) Data and Knowledge Base
- (d) Knowledge Sharing and Networking

Component A will support the State level policy, planning, institutional, and knowledge base development for FRERM, as set out in the Roadmap shown in Schedule 1 to the FFA, during the period covered under the PFR.

Component B: Comprehensive FRERM Systems

- (a) Nonstructural and CBFM measures with Disaster Management Committees
- (b) Structural Measures
- (c) Sustainable Infrastructure Maintenance and Adaptation

Component B will support the priority interventions to strengthen the FRERM systems of the three Subproject areas, viz., Dibrugarh (Dibrugarh district), Kaziranga (Golaghat district), and Palasbari-Gumi (Kamrup district) during the period covered under the PFR.

Component C: Multidisciplinary Project Management Systems

Component C will support the Project management and its associated training activities, including the preparation of the materials to process the subsequent PFRs under the Facility.

2. The Project is expected to be completed by 31 March 2014.

## SCHEDULE 2

### Amortization Schedule

#### (Assam Integrated Flood and Riverbank Erosion Risk 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.

Sequence	Date Payment Due	Installment Share (Expressed as a % based on 10% annuity)
1	01-May-18	1.043446
2	01-Nov-18	1.095618
3	01-May-19	1.150399
4	01-Nov-19	1.207919
5	01-May-20	1.268315
6	01-Nov-20	1.331731
7	01-May-21	1.398317
8	01-Nov-21	1.468233
9	01-May-22	1.541645
10	01-Nov-22	1.618727
11	01-May-23	1.699664
12	01-Nov-23	1.784647
13	01-May-24	1.873879
14	01-Nov-24	1.967573
15	01-May-25	2.065952
16	01-Nov-25	2.169249
17	01-May-26	2.277712
18	01-Nov-26	2.391597
19	01-May-27	2.511177
20	01-Nov-27	2.636736
21	01-May-28	2.768573
22	01-Nov-28	2.907002
23	01-May-29	3.052352
24	01-Nov-29	3.204969
25	01-May-30	3.365218

Schedule 2

Sequence	Date Payment Due	Instalment Share (Expressed as a % based on 10% annuity)
26	01-Nov-30	3.533479
27	01-May-31	3.710153
28	01-Nov-31	3.895660
29	01-May-32	4.090443
30	01-Nov-32	4.294965
31	01-May-33	4.509714
32	01-Nov-33	4.735199
33	01-May-34	4.971959
34	01-Nov-34	5.220557
35	01-May-35	5.481585
36	01-Nov-35	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 Instalment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Instalment Share) and the denominator of which shall be the sum of all remaining Original Instalment 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.

Schedule 2

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 amounts of the Loan to each such Category ("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, 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 and in consultation with the Borrower, and the SEA, (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 and the SEA, 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) a second generation imprest account for the SEA in an account 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 currency of the first generation imprest account shall be the Dollar, and the currency of the second generation imprest accounts shall be India Rupees. 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 account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower, the SEA 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 in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.



TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Assam Integrated Flood and Riverbank Erosion Risk Management 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	Works	20,300,000		
1A	Civil Works		19,000,000	94 percent of total expenditure claimed
1B	Civil Works (maintenance)		1,300,000	90 percent of total expenditure claimed
2	Vehicles and Equipment	1,000,000		95 percent of total expenditure claimed
3	Materials	21,500,000		93 percent of total expenditure claimed
4	Resettlement	600,000		100 percent of total expenditure claimed
5	Training/Fellowships	800,000		100 percent of total expenditure claimed
6	Consulting Services	5,000,000		
6A	Survey		500,000	100 percent of total expenditure claimed*
6B	NGO services		400,000	100 percent of total expenditure claimed*
6C	Other consulting services		4,100,000	100 percent of total expenditure claimed*
7	Project management (incremental costs)	1,700,000		100 percent of total expenditure claimed
8	Unallocated	6,000,000		
	Total	56,900,000		

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

**SCHEDULE 4****Procurement of Goods, Works and Consulting Services**General

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

Procurement of 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) National Competitive Bidding; and
  - (c) 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 SEA 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.

Domestic Preference

5. The Borrower may allow the SEA to grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

National Competitive Bidding

6. Procurement under National Competitive Bidding procedures shall be consistent with the Procurement Plan that will include modifications or clarifications if any to such procedures as agreed between the Borrower, the State, SEA, and ADB to ensure consistency with the Procurement Guidelines. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Borrower, the State, SEA, and ADB.

Community Participation

7. The SEA may use community participation in procurement for Works contracts (for minor Works) for the Subprojects in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for commencement of civil Works under a Contract

8. The SEA shall not allow commencement of any civil Works under contracts until the requirements stipulated under paragraph 7 of Schedule 5 to this Loan Agreement have been complied in full.

Consulting Services

9. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the SEA shall apply quality- and cost-based selection for selecting and engaging consulting services.

10. The SEA shall apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- (a) Consultant Qualifications Selection; and
- (b) Least Cost Selection.

11. The SEA shall recruit the individual consultants for undertaking morphological analyses of Brahmaputra reaches in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

12. (a) The Borrower shall cause the SEA 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 SEA 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.

13. The Borrower shall cause the SEA 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.

ADB's Review of Procurement Decisions

14. 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, the SEA, and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project and Operation of Project Facilities

#### Implementation Arrangements

1. The Borrower, the State and the SEA shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FFA and the FAM. Any subsequent change to these documents shall become effective only after approval of such change by the Borrower, the State, the SEA, and ADB. In the event of any discrepancy between the FFA, the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Subproject approval and Implementation

2. The SEA shall ensure that all Subprojects are selected, processed for approval, and implemented in accordance with the criteria and procedures included under Schedule 4 to the FFA.

#### Component Wise Implementation Procedures and Arrangements

3. The SEA shall carry out Components A and B in accordance with detailed procedures and arrangements laid out in Schedule 3 to the FFA.

#### Safeguards

##### Environment

4. The SEA shall

(a) ensure that the Subprojects under the Project are undertaken and that all Project facilities are designed, implemented, operated and maintained in accordance with applicable laws, and regulations of the Borrower and the State, and ADB's *Environment Policy* (2002), as set out in the EARF;

(b) prepare and implement the necessary IEE/EIA as applicable, and EMP (with budget) in accordance with the EARF. For Subprojects, the environmental categorization and assessment procedures defined in the EARF shall be followed. For any environment category A or B sensitive Subproject, a summary EIA/IEE as applicable shall be prepared and made available to the public 120 days before the Subproject is submitted to ADB for approval. The SEA shall monitor, audit, and report to ADB twice a year on the implementation of the EMPs for each Subproject.

5. In addition to the EIAs and Summary EIAs for Subprojects, the environmental assessment and review framework as prepared for the minor CBFRM measures shall be implemented by the SEA. In this regard an IEE shall be carried out in consultation with the communities, along with the community specific EMP as necessary.

Resettlement

6. The SEA shall undertake the Project and the Subprojects in accordance with applicable laws and regulations of the Borrower and the State, and ADB's policy on *Involuntary Resettlement* (1995), as set out in RF, and the relevant RP.

7. In the event any Subproject involves involuntary resettlement, necessary RP shall be prepared according to the RF, particularly

(a) Subject to compliance with all applicable laws and regulations of the Borrower and the State, the SEA shall acquire or make available the land and rights to land free from any encumbrances, and clear the utilities, trees, and any other obstruction from such land, required for commencement of construction activities in accordance with the schedule agreed under the related civil works contract.

(b) The SEA shall ensure that all land and rights-of-way required by the Subprojects will be made available in a timely manner and that the provisions of the RPs, including compensation and entitlements for affected households and persons, will be implemented in conformity with all applicable laws and regulations of the Borrower, the State, and ADB's policy on *Involuntary Resettlement* (1995), and the agreed RP.

(c) The SEA shall ensure that prior to land acquisition and any resettlement under each Subproject, the related RP including its update based on consensus of affected persons, is disclosed with all necessary information made available to persons affected by the Project and confirm that it be uploaded onto ADB's web site. The SEA shall ensure that all compensation programs are completed as outlined in RPs prior to commencement of civil Works contract under a Subproject.

8. The State shall provide adequate budgetary support to cover the costs of land acquisition and resettlement. The SEA shall submit progress and completion reports on land acquisition and resettlement for Subprojects under the quarterly progress reports for the Project. The State shall engage an independent monitoring and evaluation agency to assess performance and impacts of land acquisition and resettlement and the related external monitoring report shall be submitted to ADB by the SEA on a semiannual basis for review.

Indigenous Peoples

9. The SEA shall ensure that the requirements set out in the IPDF shall be implemented as required. In case any indigenous people are affected by the Project, appropriate IPDP shall be formulated and implemented in accordance with the applicable laws and regulations of the Borrower and the State, and ADB's *Indigenous Peoples Policy* (1998), as set out in the IPDF.

Labor; Procurement

10. (a) The SEA 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 in case of any breach of the stated provisions by the contractors.

(b) The SEA shall ensure in all bidding documents and contracts, the anticorruption provisions mutually agreeable to ADB and the SEA are included including provisions specifying the right of ADB to audit and examine the records and accounts of the SEA and PMU and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

#### Gender and Social Strategy

11. The SEA and its implementing agencies shall carry out the Subprojects in a manner consistent with the Poverty Reduction and Social Strategy (dated 13 February 2009), and the Gender Action Plan (dated 24 July 2009) prepared in relation to the Facility and as agreed between the Borrower, the State, and ADB.

#### Counterpart Support

12. (a) The State shall make available the loan proceeds and other funds as required, to the AIFRERMA on a timely basis to meet the Project requirements. The Project funds shall be budgeted by the State as a single budget line item of the AIFRERMA under the externally aided projects. Annual budget requirements shall be provided to PMU in conformity with the State's budget cycle and will reflect the annual work plans for the Project.

(b) The State shall provide adequate funds towards operation and maintenance of the Subproject facilities through budgetary allocations or other means, to be provided to AIFRERMA during and after Subproject completions.

(c) By no later than 2 months of Effective Date, the SEA shall prepare and adopt a FMM that will provide the financial management rules and regulations including internal control framework for all financial transactions. The FMM shall include the delegation of financial and administrative powers and responsibilities.

#### Institutional Reforms

13. During implementation of the Facility, the State shall ensure following specific institutional reforms:

(a) the State shall implement all policy and institutional actions as specified in Table 1 to Schedule 1 and stipulated as the sector roadmap in the FFA, including (i) finalization and implementation of the State Water Policy, (ii) preparing and implementing the integrated FRERM, (iii) organizational reforms and strengthening of AIFRERMA;

(b) towards assured maintenance of Project facilities, the State shall ensure implementation of the following measures:

Schedule 5

- (i) establishment of infrastructure asset management information system for sound monitoring, planning, and implementation of requisite maintenance and adaptation works;
  - (ii) transparent management of maintenance fund utilization, with disclosure of information on fund allocation, procurement, contracts, and work order content;
  - (iii) full allocation of the fund required for annual maintenance for the facilities managed by the AIFRERMA, and increase of the all the facilities managed by WRD towards progressively meeting the requirement by 2017.
- (c) The AIFREREMA shall
- (i) operationalize consultative decision making systems with its counterpart DMC at block and panchayat levels regarding all planning and implementation matters, FRERM infrastructure maintenance, through regular SIO-DMC meetings on progress review, annual and periodic work plans and schedules;
  - (ii) post the physical and financial details and Project progress in the department website, along with the tenders and contracts awarded. For individual Subprojects, the SIOs shall post the abstract of all contracts executed, including the quantity of works and their associated costs;
  - (iii) 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 shall organize awareness campaigns for DMCs and other stakeholders; and
  - (iv) through the mobilization of independent chartered accounting firm undertake annual financial audit for WRD, RDMD, and other departments, and all SIOs and associated offices, which shall include investigation of all financial records and transactions.
- (d) The State shall ensure that its WRD strengthens its construction supervision, recording, and reporting system with the use of modern technologies, and operationalizes external third party technical audit mechanism. Accordingly, all work contracts shall include provisions for third party inspection for quality control. External monitoring, supervision, and technical audit consultants shall also be mobilized under the ISPM consultant team.

Accounts

14. The external audit of the Project shall be carried out by independent firm of chartered accountants appointed by the Executive Board of the AIFRERMA and acceptable to ADB. The firm shall be appointed under a competitive process and meet minimum criteria to be specified in the FMM.

15. Accounting at the State and district/Subproject levels shall follow double entry accounting systems and all books of accounts (including work related registers and asset records) shall be maintained. Information on Project related expenditures shall be obtained by the PMU from monthly financial reports submitted by the concerned SIOs. Based on

these, PMU shall prepare consolidated financial statements and use the same for the purpose of preparation of monthly project financial reports.

16. In order to ensure timely release of funds for Subproject implementation, as also ensure transparent and proper accounts, at all levels (i.e., the PMU and SIO) adequate and senior accounting staff shall be appointed on an immediate basis. The PMU with the support of the ISPM consultants shall provide initial and ongoing training on the accounting requirements for the Project at the State and the district levels.

#### Performance Monitoring; Reports and Review

17. The SEA shall establish a IPPMS for the Facility as well as a PPMS for the Project satisfactory to ADB, within 3 months of the Effective Date. The PPMS and IPPMS shall monitor and evaluate the performance of the Project and the Subprojects, and the Facility respectively. For the IPPMS, the SEA shall select a set of clearly measurable performance monitoring indicators relating to physical implementation, institutional development, socioeconomic and other conditions, and social and environmental safeguards.

18. The SEA shall prepare progress reports for the Project and submit to ADB on a quarterly basis within 45 days from the end of each quarter. Each report shall provide a narrative description of progress made during the period in respect the Project, changes in the implementation schedule, problems or difficulties encountered, and the work to be carried out in the next period. The progress report shall also include a summary financial account for the Components, consisting of Project expenditures for the year to date and total expenditure to date. The SEA shall undertake periodic Project performance review, and also for the Facility to evaluate the scope, implementation arrangements, progress and achievements of objectives of the Project and the Facility. Performance shall be evaluated based on indicators and targets stipulated in the Design and Monitoring Framework for the Facility attached as Schedule 2 to the FFA.

19. Based on a review of quarterly progress reports provided ADB, the Borrower and the SEA shall meet as required to discuss the progress of the Project, and the Facility on 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. In addition to regular reviews, including a midterm review for the Project, a detailed midterm review of the Facility shall be undertaken within no later than 4 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.

20. The SEA shall ensure that the PMU shall provide ADB with a Facility completion report within 6 months of the completion of the Facility.