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LOAN NUMBER 2151-IND

LOAN AGREEMENT  
(Ordinary Operations)

(Multisector Project for Infrastructure Rehabilitation in Jammu and Kashmir)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 17 MARCH 2005

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LAL: IND 38136

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 17 March 2005 between INDIA (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

**WHEREAS**

(A) the Borrower has applied to ADB for a loan from its Ordinary Capital resources as more fully described in Schedule 1 to this Loan Agreement (hereinafter called the Project), for the purposes of the Multisector Project for Infrastructure Rehabilitation in Jammu and Kashmir;

(B) the Borrower has also applied to the ADB for technical assistance for preparing a project related to water, wastewater and waste management, and for such purposes ADB has agreed to provide a grant to be financed by the United Kingdom and administered by ADB in an amount equivalent to US\$500,000 (hereinafter called the PPTA);

(C) the Project will be carried out by the State of Jammu and Kashmir (hereinafter called the State), and for this purpose the Borrower will make available to the State the proceeds of the Loan provided for herein upon standard terms and conditions; 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 between ADB and the State;

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, (said Ordinary Operations Loan Regulations being hereinafter called the Loan Regulations).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Component" means each component of the Project, and Component A means the Urban Sector Component, Component B means the Transport Sector Component, and Component C means the Capacity Building Component, in each case as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(b) "DOP" means the Department of Planning and Development of the State, and any successor agency thereto;

(c) "DSCs" mean the design and supervision consultants to be provided under Component C;

(d) "Environmental Assessment Framework" means the environmental assessment framework in Supplementary Appendix D to the RRP;

(e) "Eligibility Criteria" means the eligibility criteria for each Subproject as described in paragraph 10 to Schedule 6 to this Loan Agreement;

(f) "EMP" means an environmental management plan for a Subproject as described in paragraph 13 of Schedule 6 to this Loan Agreement;

(g) "ERA" means the Economic Reconstruction Agency, established by the State under the Registration of Society Act of 1941;

(h) "IEE" means an initial environmental examination undertaken in accordance with the Environmental Assessment Framework, as described in paragraph 13 of Schedule 6 to this Loan Agreement;

(i) "JKPCC" means Jammu and Kashmir Projects Construction Corporation;

(j) "PHED" means the Public Health Engineering Department of the State, and any successor agency thereto;

(k) "PIU" means each Project Implementation Unit as described in paragraphs 4 and 5 of Schedule 6 to this Loan Agreement;

(l) "PMCs" means the project management consultants to be provided under Component C;

(m) "PMU" means the Project Management Unit as described in paragraph 2 of Schedule 6 to this Loan Agreement;

(n) "Prepared Subprojects" means (i) the two sample Subprojects under Component A appraised prior to the date of this Loan Agreement as described in Supplementary Appendices I and J to the RRP and the three sample Subprojects under Component B appraised prior to the date of this Loan Agreement as described in Supplementary Appendices K and L to the RRP, and (ii) each Subproject prepared with the support provided by ADB to and ERA for operational support in the period prior to the Effective Date as described in Supplementary Appendix F to the RRP;

(o) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the State and ERA that are jointly responsible for the carrying out of the Project;

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

(q) "PWD" means the Public Works Department of the State, and any successor agency thereto;

(r) "Resettlement Framework" means the land acquisition and resettlement framework for the Project in Appendix 10 to the RRP;

(s) "Resettlement Plan" means each plan for a Subproject to be prepared and implemented in accordance with the Resettlement Framework;

(t) "RRP" means the Report and Recommendation of the President for the Project;

(u) "Rupees" and "Rs" means Rupees, the currency of the Borrower;

(v) "SGIA" means the Second Generation Imprest Account referred to in paragraph 6 of Schedule 3 to this Loan Agreement;

(w) "Subproject" means each subproject under a Component that meets the Eligibility Criteria and has been selected for funding under the Project; and

(x) "UEED" means the Urban Environmental Engineering Department of the State, and any successor agency thereto.

## 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 fifty million dollars (\$250,000,000), 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 term of 25 years, including a grace period of 5 years, as provided 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.

Section 2.03. (a) The Borrower shall pay a commitment charge at the rate of three-fourths of one percent (0.75%) per annum. Such charge shall accrue on amounts of the Loan (less amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of this Loan Agreement, as follows:

during the first twelve-month period, on \$37,500,000;  
during the second twelve-month period, on \$112,500,000;  
during the third twelve-month period, on \$212,500,000; and

thereafter, on the full amount of the Loan.

(b) If any amount of the Loan is cancelled, the amount of each portion of the Loan stated in paragraph (a) of this Section shall be reduced in the same proportion as the cancellation bears to the full amount of the Loan before such cancellation.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December 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 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. (a) The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions satisfactory to ADB. The Borrower shall bear the foreign exchange risk on the Loan.

(b) The Borrower shall cause the State and ERA to apply the proceeds of the Loan to the financing of the following expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement:

- (i) foreign currency expenditures up to an amount equal to \$143,600,000; and

- (ii) local currency expenditures (for civil works, consulting services equipment and incremental administrative costs) up to an amount equal to \$106,400,000 equivalent.

(c) Subject to clause (b) of this Section, the Borrower shall cause the State and ERA to apply the proceeds of the Loan to financing of expenditures in the following manner:

- (i) Component A: \$92,800,000
- (ii) Component B: \$137,500,000
- (iii) Component C: \$19,700,000

Section 3.02. The goods and 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 and 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 and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement. ADB may refuse to finance a contract where goods or 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 and 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 December 2009 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 and ERA to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, and environmental practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause the State and ERA to perform, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. The Borrower shall make available to the State and ERA, promptly as needed, the funds, and shall ensure that the State shall make available the

facilities, services, land and other resources, which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall cause the State to ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable the State to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

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

## **ARTICLE V Effectiveness**

Section 5.01. 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: the PMU and each of the PIUs shall have been staffed to the satisfaction of ADB.

Section 5.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. The Secretary, Additional Secretary, Joint Secretary, Director or Deputy Secretary in the Department of Economic Affairs, 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 Numbers:

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

For ADB

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

## Cable Address:

ASIANBANK  
 MANILA

## Facsimile Numbers:

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

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

INDIA

By 

**RANJIT BANNERJI, JOINT SECRETARY**  
 Authorized Representative

ASIAN DEVELOPMENT BANK

By 

**T. L. DE JONGHE**  
 Country Director, INRM



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

1. The purpose of the Project is to rehabilitate essential infrastructure for water supply and drainage and roads and bridges. The Project will also strengthen the institutional capacity of the Project Executing Agencies and PIUs.

2. The Project consists of the following components:

**Component A: Urban Sector Component**

(a) The objective of this Component is to address the most immediate rehabilitation needs of the water supply and drainage systems in Jammu and Kashmir. This Component will include:

- (i) Water Supply Rehabilitation in Kashmir including: replacement of dilapidated water supply transmission lines, upgrading of old/damaged pumping machinery, and provision of stand-by generators and power supply protection equipment;
- (ii) Drainage Rehabilitation in Kashmir including: extension of drainage systems, rehabilitation of pump stations, unclogging of drains, and procurement of equipment and vehicles for garbage collection for drain cleaning purposes;
- (iii) Water Supply Rehabilitation in Jammu including: rehabilitation of damaged networks and facilities, including pipes, pumps and standby generators and provision of low cost sanitation in selected migrant areas; and
- (iv) Drainage Rehabilitation in Jammu including: restoration of drain linings, widening and re-grading, and procurement of equipment and vehicles for garbage collection for drain cleaning purposes.

**Component B: Transport Sector Component**

(b) The objective of this Component is to provide urgent rehabilitation, reconstruction and upgrading of roads and bridges which fall under the jurisdiction of PWD. This Component will include:

- (i) Rehabilitation, necessary upgrading and reconstruction of damaged and weak bridges, and rehabilitation and upgrading of roads; and
- (ii) Development of a maintenance management system and procurement of maintenance related equipment.

**Component C: Capacity Building Component**

- (c) The objective of this Component is to assist ERA and the PIUs to strengthen their institutional capacity. This Component will include:
- (i) Project Management Support: Advisory support for ERA and the PIUs for (A) appraisal of Subprojects, review and authorization of Subproject design, review and endorsement of procurement decisions, including 'design as you build' and force account contracts, and overall monitoring including financial and non-financial audits; (B) development of master plans for water supply, sewerage, drainage and solid waste management for Jammu and Kashmir; (C) a study on cost recovery for water supply services; (D) a sustainability study on road operation and maintenance; (E) support for PWD to set up a road maintenance system; (F) updating sector development plans; (G) training of staff of PMU and PIUs; and (H) other support necessary for ensuring the efficient management of the Project;
  - (ii) Design and Construction Supervision Support: Advisory support for each PIU including (A) preparation of Subprojects including feasibility study, environmental impact assessment, resettlement plan development and indigenous people development plans; (B) preliminary and detailed design, including ground and traffic surveys for road Subprojects; (C) preparation of bidding documents and evaluation of bids; (D) construction supervision including adherence to environment, resettlement, and indigenous peoples safeguards; (E) training of staff of PIUs; and (F) other support necessary for efficient Project preparation and implementation; and
  - (iii) Operational Support: Incremental administrative support, together with necessary equipment and vehicles.

3. The Project is expected to be completed by 30 June 2009.

## SCHEDULE 2

### Amortization Schedule

#### (Multisector Project for Infrastructure Rehabilitation in Jammu and Kashmir)

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>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 June 2010	0.83
15 December 2010	0.87
15 June 2011	0.91
15 December 2011	0.96
15 June 2012	1.01
15 December 2012	1.06
15 June 2013	1.11
15 December 2013	1.16
15 June 2014	1.22
15 December 2014	1.28
15 June 2015	1.35
15 December 2015	1.42
15 June 2016	1.49
15 December 2016	1.56
15 June 2017	1.64
15 December 2017	1.72
15 June 2018	1.81
15 December 2018	1.90
15 June 2019	1.99
15 December 2019	2.09
15 June 2020	2.20
15 December 2020	2.31
15 June 2021	2.42
15 December 2021	2.54
15 June 2022	2.67
15 December 2022	2.80
15 June 2023	2.94
15 December 2023	3.09
15 June 2024	3.25
15 December 2024	3.41

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<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 June 2025	3.58
15 December 2025	3.76
15 June 2026	3.94
15 December 2026	4.14
15 June 2027	4.35
15 December 2027	4.57
15 June 2028	4.79
15 December 2028	5.03
15 June 2029	5.29
15 December 2029	<u>5.54</u>
Total	<u>100.00</u>

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

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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. This Schedule sets for the allocation of amounts of the Loan. Except as ADB may otherwise agree, the requirements and procedures as set forth in ADB's "Loan Disbursement Handbook" dated January 2001, and ADB's "Interim Guidelines for Disbursement Operations, LIBOR-Based Loan Products" dated July 2002, both as amended from time to time, shall apply to all goods and services to be financed out of the proceeds of the Loan.

Local Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Withdrawals

3. (a) Except as provided in this paragraph or as ADB may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

(b) Loan proceeds up to the amount of \$106,400,000 may be withdrawn from the Loan account in foreign currency for the purposes of financing local expenditures for civil works, consulting services, equipment and incremental administrative costs under the Project

(c) Subject to the provisions of Section 3.01 of this Loan Agreement, and except as the Borrower and ADB may otherwise agree, the Loan proceeds shall be disbursed on the basis of the following percentages:

- (i) civil works: 73% of total expenditure (41% for foreign and 32% for local) for Component A, and 73% of total expenditure (48% for foreign and 25% for local) for Component B ;
- (ii) equipment: for 100% of foreign expenditure, and 100% of local expenditure, exclusive of local taxes and duties;
- (iii) consulting services and training: 100% of foreign expenditure, and 100% of local expenditure, exclusive of local taxes and duties; and
- (iv) incremental administration costs: 100% of local expenditure, exclusive of local taxes and duties.

4. Notwithstanding paragraph 3 of this Schedule, any contract awarded to a local supplier after effective international competitive bidding or international shopping pursuant to the relevant provisions of Schedule 4 to this Loan Agreement shall be financed out of the proceeds of the Loan on the following basis:

- (a) where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and

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- (b) where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

Reallocation

5. Notwithstanding the allocation of Loan proceeds and subject to paragraph 3 of this Schedule,

(a) if the amount of the Loan allocated to any Loan Component appears to be insufficient to finance all agreed expenditures for that Loan Component, ADB may, by notice to the Borrower, reallocate to such Loan Component, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Loan Component but, in the opinion of ADB, are not needed to meet other expenditures; and

(b) if the amount of the Loan then allocated to any Loan Component appears to exceed all agreed expenditures in that Loan Component, ADB may, by notice to the Borrower, reallocate such excess amount to any other Loan Component.

Imprest Account; Statement of Expenditures

6. (a) (i) Except as ADB may otherwise agree, the Borrower shall establish, immediately after the Effective Date an imprest account at the Reserve Bank of India.

(ii) A second generation imprest account (SGIA) shall be opened in a commercial bank current account by ERA, subject to the commitment by the State and ERA to adhere to the ADB procedures for operating SGIA. The Borrower shall pass on the rupee equivalent of ADB's imprest advance directly to the commercial bank SGIA established by ERA. The DEA shall ensure that all ADB disbursements for imprest advance and/or replenishment shall be passed on to ERA for deposit into the commercial bank SGIA within 30 calendar days of receipt of such advance/replenishment from ADB.

(iii) The imprest account and SGIA shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower, the State, ERA and ADB. The SGIA shall be maintained in a current account. The initial amount to be deposited into the imprest account and SGIA shall be determined by ADB in consultation with DEA and ERA, with particular reference to availability of an adequate pipeline of awarded contracts, and shall not exceed the lesser of the equivalent of three months current Project expenditures or 10% of the Loan amount. ERA shall maintain each SGIA advance/replenishment in the separate commercial bank account established for this purpose, and withdraw from it only the portion of expenditure eligible for ADB financing.

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(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for the Project and to liquidate advances provided into the imprest account and SGIA, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$50,000.



## SCHEDULE 4

### Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.
2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated February 1999 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower.
3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in this Schedule.
4. (a) Each civil works contract estimated to cost the equivalent of more than \$10,000,000 and each supply contract for equipment or materials estimated to cost the equivalent of more than \$500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement. Prequalification shall not be required for Prepared Subprojects. For civil works contracts other than for Prepared Subprojects, ADB and ERA shall review the need for prequalification based on initial experience with civil works contracts, and if it is found necessary that prequalification be introduced, bidders shall be prequalified before bidding. For Prepared Subprojects and for all other Subprojects for which prequalification is not required under the preceding sentence, ADB's single-stage two envelope procedure shall be followed.  
  
(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of either (i) for civil works contracts for Subprojects for which prequalification is required in accordance with subparagraph (a), the first prequalification invitation or (ii) for civil works contracts for Subprojects for which no prequalification is required in accordance with subparagraph (a), the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods and works remain to be procured on the basis of international competitive bidding.  
  
(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. In the case of civil works contracts for Subprojects which prequalification is required in accordance with subparagraph (a), each draft prequalification invitation, and in the case of civil works contracts for Subprojects for which no prequalification is required in accordance with subparagraph (a), each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such

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information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for

(a) goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods; and

(b) civil works to be carried out by eligible domestic contractors, as defined by ADB.

6. (a) Each supply contract for equipment or materials estimated to cost the equivalent of \$100,000 or more but not more than \$500,000 (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document need not be submitted to ADB for approval before they are issued.

Local Procurement

7. Civil works contracts estimated to cost the equivalent of \$10,000,000 or less shall be awarded on the basis of local competitive bidding among contractors in accordance with the standard procurement procedures of the Borrower and acceptable to ADB. ADB's standard bidding documents will be used as the basis for the preparation of local competitive bidding documents. Prequalification shall not be required for Prepared Subprojects. For civil works contracts other than for Prepared Subprojects, ADB and ERA shall review the need for prequalification based on initial experience with civil works contracts, and if it is found necessary that prequalification be introduced, bidders shall be prequalified before bidding. For Prepared Subprojects and for all other Subprojects for which prequalification is not required under the preceding sentence, ADB's single-stage two envelope procedure shall be followed. Prequalification if required, selection and engagement of contractors shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

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Direct Procurement

8. Notwithstanding paragraph 7, certain items of equipment estimated to cost, in the aggregate, the equivalent of less than \$100,000, may be procured in accordance with procedures acceptable to ADB. After award, three copies of each contract for such items shall be furnished to ADB.

Force Account

9. Notwithstanding paragraph 7, certain works for smaller bridge works estimated to cost the equivalent of \$500,000 or less may be carried out by the Borrower through Jammu and Kashmir Projects Construction Corporation (JKPCC) on a force account basis.

Intellectual Property

10. (a) The Borrower shall ensure that all ADB-financed goods and services 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 ADB-financed contracts for the procurement of goods and services 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.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
  - (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
  - (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Domestic Preference for Turnkey Contracts and  
Supply-and-Installation Contracts

3. In single-responsibility turnkey (including design-build) contracts and supply-and-installation contracts for large and complex packages, procured through international competitive bidding and in which discrete items of goods are grouped into one contract package and where the CIF cost of goods to be used for or in the permanent works under such contracts is estimated, prior to bidding, to equal or exceed 60 percent of the total cost of such works, a margin of preference shall be applied to the domestically manufactured goods in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) The margin of preference shall not be applied to the whole package but only to the domestically manufactured goods within the package.
- (b) Goods offered from outside the territory of the Borrower shall be quoted CIF and goods offered domestically shall be offered ex-factory or ex-works (free of sales and similar taxes).
- (c) All other cost components, such as design as well as works installation and supervision, shall be quoted separately.
- (d) In the comparison of bids (which should not be classified into Categories I, II or III as with the domestic preference for goods), only the CIF price in each bid of the goods offered from outside the territory of the Borrower shall be increased by the applicable duty and other taxes payable by a nonexempt importer or by 15 percent, whichever is less.
- (e) If duties vary from item to item within a package, the appropriate tariff for each item shall apply.
- (f) No margin of preference shall be applied to any associated services or works included in the package.
- (g) Bidders will not be permitted or required to modify the mix of domestic and foreign goods after bid opening.

4. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Preference for Domestic Contractors

5. In the selection of civil-works contractors, single-responsibility turnkey (including design-build) contractors or supply-and-installation contractors where the CIF cost of goods to be used for or in the permanent works under such contracts is less than 60 percent of the total cost of such works, eligible domestic contractors, as defined below, through international competitive bidding may be granted a margin of preference in accordance with the following provisions.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following two categories:

Category I -- bids offered by domestic contractors and joint ventures eligible for the preference in accordance with the applicable criteria as set forth in paragraph 6 below; and

Category II -- bids offered by other contractors.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I is found to be the lowest, it shall be selected for the award of contract.
- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category II, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category II by adding an amount equal to seven-and-one-half percent of the bid price. If, after such comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category II shall be selected.

6. (a) To be eligible for the preference set forth in paragraph 5 above, domestic contractors must meet the following criteria:

- (i) firms are registered in the territory of the Borrower;
- (ii) firms have majority ownership by nationals of the Borrower; and
- (iii) firms will not subcontract more than 50 percent of the total value of their work to foreign contractors.

(b) A joint venture between a domestic contractor and its foreign partner shall be eligible for the preference only if it meets the following criteria:

- (i) the domestic partner(s) is individually eligible for the preference according to the criteria stated above;
- (ii) the domestic partner(s) would not qualify for the contract works on technical or financial grounds without the foreign participation; and
- (iii) the domestic partner(s) will, under the arrangements proposed, carry out at least 50 percent of the contract works measured in terms of value.

(c) Contractors applying for the preference shall be required to provide, as part of the data for qualification, necessary information, including details of ownership, for determining whether, according to the applicable criteria, a particular firm or group of firms qualifies for the preference.

7. The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of firms for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above. Bidders applying for the preference shall provide such additional information in support of such eligibility as may be requested by the Borrower and ADB.



**SCHEDULE 5****Consultants**

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) project management support; and
- (b) design and supervision support.

The terms of reference of the consultants shall be as determined by agreement between ADB and the Project Executing Agency.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated April 2002 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the State.

3. Selection and engagement of the consultants shall be made without any restriction against, or preference for, any particular consultants or any particular class of consultants.

4. The consultants to be engaged as a firm, if any, shall be selected and engaged by the State using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 60 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

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(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

5. The individual consultants, if any, shall be selected and engaged by the State in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and a draft contract shall be furnished to ADB for approval before the selection of consultants.

(b) Promptly after the contract is signed, ADB shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

6. 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 6

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Project Execution and Implementation Arrangements

1. (a) The State and ERA shall have joint responsibility for the execution of the Project. The State shall have overall coordination responsibility for ensuring the participation and performance by its departments of their responsibilities under the Project. ERA shall have overall Project execution and coordination responsibility and shall also be responsible for coordinating the assistance provided by multilateral development institutions.
- (b) Without limiting the generality of Section 2.02 of the Project Agreement, the State shall ensure that ERA is adequately staffed by competent and qualified personnel for the effective implementation of the Project.
2. ERA shall establish the PMU, headed by the Project Director (who shall be the CEO of ERA) and comprised of three senior officers, one each for finance, roads, and urban sector departments, and seven other officers for environmental matters, social development/resettlement, technical (engineering), administration, procurement, monitoring and reporting (information technology). The PMU shall provide overall coordination support for the PIUs. The PMU shall be supported by the PMCs.
3. The PMU shall be guided by the Project Steering Committee, chaired by the CEO of ERA, and including the Commissioners/Secretaries in charge of the State Departments of Public Works (PWD), Planning, Housing and Urban Development, UEED, PHED, Tourism and Power. The Steering Committee shall meet as required.
4. ERA shall establish (i) for Component A, a PIU in each of Jammu and Kashmir and (ii) for Component B, a PIU in each of Jammu and Kashmir. For Component C, the PIU shall be the PMU.
5. Each PIU, headed by a Project Manager (PM), shall comprise professional and support staff who shall be assisted by the DSCs. The PIUs for Component A shall include, among others, staff from PHED and UEED, and the PIUs for Component B shall include, among others, staff from PWD.
6. The State and ERA shall ensure that adequate budgetary allocations of required counterpart funds are made and released in a timely manner to the PMU and each PIU for each financial year of the Project implementation period and that the PMU and each PIU applies such counterpart funds to agreed Project expenditures
7. The State and ERA shall ensure that staff, consultants, materials, vehicles, equipment and other items required for project implementation shall be given reasonable access to the project area, and shall take all measures necessary to ensure the safety of all project personnel, including consultants and contractors, during the implementation of the Project.

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8. The State and ERA shall ensure that the facilities provided under the Project are operated and maintained appropriately, and that adequate budgetary and other resources shall be provided for this purpose.

9. The State shall double the current water tariffs by 30 June 2005 for all types of connections, including domestic and commercial, and shall introduce metering of bulk water supply at the source and distribution centers, and commercial establishments falling within the Project areas. The State and ERA shall undertake, under the PPTA, public awareness on water metering of domestic connections and consumption based water tariff systems.

Subproject Eligibility Criteria

10. The State and ERA shall ensure that each PIU shall ensure that each Subproject meets, to the satisfaction of ADB, the agreed eligibility criteria and is selected in accordance with the eligibility criteria and selection procedures set out in Appendix 2 of the RRP. Each Subproject shall be proposed on the basis of the following general criteria.

- (i) The Subproject shall be for the rehabilitation of infrastructure in the transport and urban sectors including a reasonable level of upgrading.
- (ii) The Subproject shall have clear economic rationale. The economic rationale shall include an analysis of the market for the Subproject's output and an assessment of market demands.
- (iii) The Subproject shall be cost effective based on a review of technical options available to address the identified problems. This usually involves a review of technical options available to address the identified problem and selecting the least cost option. Alternatively, economic efficiency may be demonstrated by the calculation of economic internal rate of return based on "with and without" Subproject basis which shall be equal to or higher than 12%.
- (iv) The Subproject shall be sustainable. Financial sustainability shall be demonstrated if the financial internal rate of return is equal to or higher than weighted average cost of capital for those Subprojects where usages are charged to users. If this criterion is not met for a Subproject, then arrangements shall be applied for that Subproject to ensure that operation and maintenance costs of the Subproject are financed and that the Subproject operates over its expected life. Institutional sustainability may be demonstrated by assessing the PIU's organization, staffing and skill sets for the Subproject and providing capacity building under the Project.
- (v) The Subproject shall, to the extent possible, not require land acquisition or involuntary resettlement (which includes the displacement of squatters or encroachers from the rights of way). If land acquisition or involuntary resettlement is required for a Subproject, a Resettlement Plan shall be prepared in accordance applicable laws and regulations of the State, ADB's *Policy on Involuntary Resettlement* (1995) and the Resettlement Framework.

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- (vi) If any indigenous peoples are likely to be affected significantly by a Subproject, an indigenous people's development plan (IPDP) shall be prepared.
- (vii) Environmental assessment of the Subproject shall have been carried out in accordance with the Environmental Assessment Framework. The Subproject shall not have been classified as Environmental Category A or B Sensitive in accordance with ADB's criteria, and an initial environmental examination shall have been prepared.
- (viii) The Subproject shall be technically sound, meeting design standards of the Borrower or other equivalent technical authorities. Road Subprojects shall incorporate appropriate road safety requirements.
- (ix) The Subproject shall be designed and executed as a seismic resistant structure in accordance with relevant guidelines of the Borrower.
- (x) All necessary approvals shall be obtained before prior to the award of any contract for civil works or supply of equipment or materials.

11. The State and ERA shall ensure that in Subproject selection, priority shall be given to: (i) reconstruction and/or rehabilitation of damaged and/or deteriorated infrastructure facilities; (ii) completion of undertakings which had started earlier, but stalled or slowed down; (iii) extension of the minimum level of services to cater to the needs of migrants; and (v) provision of minimum connectivity to rural communities.

Land Acquisition and Resettlement

12. The State and ERA shall ensure to extent possible, Subprojects shall not require land acquisition or involuntary resettlement. If land acquisition and/or involuntary resettlement are required for any Subproject, including a Prepared Subproject, the Borrower, the State and ERA shall ensure that:

- (i) the applicable PIU shall prepare a Resettlement Plan for that Subproject, acceptable to ADB, in accordance with applicable laws and regulations of the State (including the Land Acquisition Act, 1990), ADB's *Policy on Involuntary Resettlement* (1995), and the Resettlement Framework, and submit it to ADB for review and approval before any land acquisition or involuntary resettlement is initiated and before construction for the Subproject commences;
- (ii) all land, rights of way and other land-related rights required for the Subproject are acquired or otherwise made available to the concerned PIU;
- (iii) all affected persons, if any, are compensated in accordance with the agreed Resettlement Plan before commencement of construction or resettlement for the Subproject, and if during Project implementation there are any changes in the Subproject design, for either the Prepared Subprojects or for any additional Subprojects, that results in any additional affected persons or any

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changes to the impacts on previously identified affected persons, the Resettlement Plan shall be promptly updated and implemented satisfactory to ADB;

- (iv) ADB's *Policy on Involuntary Resettlement* (1995) shall prevail in case of any difference between such policy and the State's laws and regulations; and
- (v) ERA shall appoint a resettlement officer to supervise implementation of the Resettlement Framework.

Environmental Issues

13. With respect to environmental assessment and compliance, the Borrower, the State and ERA shall ensure that:

- (i) the Project is carried out and all Project facilities are designed, constructed, operated, maintained, and monitored in compliance with the existing environmental laws and regulations of the Borrower, the State, and ADB's *Environmental Policy* (2002), and the Initial Environmental Examination (IEE), including the Environmental Assessment Framework;
- (ii) the Project does not include any Subprojects that are classified as category A or Sensitive B as defined in ADB's *Environment Policy* (2002) and does not include any facilities and lots in, or close to, national parks, sanctuaries, or any other environmentally sensitive areas;
- (iii) all environmental clearances required by any laws, acts and regulations at national and local levels specified in the Environmental Assessment Framework are obtained in a timely manner and prior to commencement of construction on the relevant Subproject;
- (iv) each PIU shall prepare an IEE report, including an environmental management plan (EMP), with adequate public consultation for each Subproject, in accordance with the Environmental Assessment Framework. Each PIU shall ensure that (i) all mitigation measures identified in the IEEs, the summary IEE, and EMPs prepared for the Subprojects, are incorporated in the Subprojects' designs, and are carried out during their construction, operation, and maintenance in consultation with stakeholders and (ii) if there are any changes in specific locations or alignments of infrastructure or Project facilities after the process of IEE, for either the Prepared Subprojects or additional Subprojects, additional environmental assessment shall be done and a process similar to IEE, acceptable to ADB, shall be undertaken; and

- (v) (A) an appropriate budgetary allocation (including vehicles, material and equipment, operating expenses, and staff) is provided to PIUs to fulfill their responsibilities for implementation of mitigation measures and monitoring requirements as outlined in the IEE, in particular those mitigation and monitoring requirements arising from the application of the Environmental Assessment Framework; (B) ERA assigns an adequate number of environment and social specialists to be responsible for appraising IEEs and EMPs for Subprojects prepared by the PIUs, ensuring the implementation of EMPs, and submitting IEEs and progress reports on implementation of EMPs to ADB; and (C) each PIU shall assign an adequate number of environment and social specialists to be responsible for preparing IEEs and EMPs for the Subprojects and submitting them to the ERA and ADB, and implementing the EMPs. The Borrower shall design and conduct appropriate training programs for environment and social specialist staff on topics related to their areas of responsibility.

#### Indigenous Peoples Issues

14. The State and ERA shall ensure that during preparation of each Subproject, the relevant PIU shall undertake a review of the impacts, if any, of the Subproject on indigenous peoples, and if any impacts on indigenous peoples are identified, the PIU shall prepare an Indigenous Peoples Development Plan in accordance with ADB's *Policy on Indigenous People* (2003) and the Indigenous Peoples Development Framework in Supplementary Appendix E to the RRP.

#### Accounts

15. (a) Without limiting the provisions of Section 2.09 of the Project Agreement, the Borrower, the State and ERA shall ensure that ERA and each PIU shall (i) maintain separate accounts for the Project and for its overall operations, and maintain records and accounts; (ii) ensure that Project accounts and financial statements are audited annually in accordance with appropriate auditing standards consistently applied by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to the PMU for consolidation and delivery to ADB, not later than nine months after the close of each 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 Loans proceeds as well as on the procedures for the imprest account, the SGIA and statement of expenditures), all in the English language.

(b) The State shall ensure that ERA shall furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

Review

16. Without limiting the provisions of Section 2.08 of the Project Agreement, ERA shall prepare quarterly progress reports in a format acceptable to ADB which shall provide information on: (i) progress made against established targets, including pre-identified monitoring indicators; (ii) delays and problems encountered, and actions taken to resolve them; (iii) compliance with loan covenants; and (iv) proposed program of activities to be undertaken during the next quarter and expected progress during the next quarter. The ERA shall ensure that the PMU shall consolidate the reports of each PIU and ERA shall deliver them to ADB. Within three months of physical completion of the Project, ERA shall submit to ADB a Project Completion Report on the execution of the Project including the costs and the compliance with loan covenants.

17. Project performance shall be reviewed through a three-tier system, the first level by PMU, the second level by ERA and the third level by ADB. The review at each of the first and second level shall include a summary of contracts awarded and pricing. A mid-term review shall be conducted to identify any problems or weaknesses in implementation arrangements and agree on changes needed to achieve Project objectives.

Project Performance Management System

18. The State shall establish, maintain and implement a project performance management system (PPMS). The PMU shall develop comprehensive PPMS procedures and plans within nine months of the Effective Date, for approval by ADB. The PMU shall undertake every six-months a quantitative and qualitative Project performance monitoring for each Project Component to evaluate the delivery of the planned facilities and the Project benefits accrued.