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LOAN NUMBER 2679 - IND

LOAN AGREEMENT  
(Ordinary Operations)

(Sustainable Coastal Protection and Management Investment Program - Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 17 August 2011

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LAL: IND 40156

**LOAN AGREEMENT  
(Ordinary Operations)**

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

**WHEREAS**

(A) by a framework financing agreement dated 1 September 2010 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purposes of financing projects under the Sustainable Coastal Protection and Management Investment Program;

(B) by a periodic financing request dated 1 September 2010 submitted by the Borrower ("PFR"), 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 (i) State of Karnataka acting through the Public Works, Ports and Inland Water Transport Department ("Karnataka"), and (ii) State of Maharashtra acting through the Maharashtra Maritime Board ("Maharashtra"), all individually referred to as the State and collectively as the States, and for this purpose the Borrower will make available to the States 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 respective Project Agreements of even date herewith between; (i) ADB and Karnataka, and (ii) ADB and Maharashtra.

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) "Component" means each of the components as the context may require as provided under Schedule 1 to this Loan Agreement;

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

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

(d) "EARF" means the Environmental Assessment and Review Framework as agreed between the Borrower, State, and ADB;

(e) "EIA" means the environment impact assessment prepared for a Subproject in accordance with the EARF and agreed between the Borrower, State, and ADB;

(f) "Facility" means the Sustainable Coastal Protection and Management Investment Program provided by ADB to the Borrower in accordance with ADB's policy under *Mainstreaming the Multitranchise Financing Facility* (R121-08) dated 20 June 2008;

(g) "FAM" means the facility administration manual for the Facility dated 1 September 2010 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(h) "FFA" means the framework financing agreement dated 1 September 2010, entered into between ADB and the Borrower for the Facility;

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

- (j) "IEE" means the initial environment examination prepared for a Subproject in accordance with the EARF, as agreed between the Borrower, State, and ADB;
- (k) "IPDF" means the Indigenous Peoples Development Framework as agreed between the Borrower, State, and ADB;
- (l) "IPDP" means an indigenous peoples development plan prepared in accordance with the IPDF as agreed between the ADB, the Borrower and the State;
- (m) "IPPMS" mean the Investment Program Performance Management System;
- (n) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);
- (o) "Maharashtra Maritime Board" means the Board established by Maharashtra in 1996 under the Commissioner, Water Transport, and Chairmanship of the Maharashtra Minister of Ports;
- (p) "PPMS" means the Project Performance Management System;
- (q) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);
- (r) "Procurement Plan" means the procurement plan for the Project forming part of the FAM and agreed between the Borrower, States, and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (s) "RF" means the Resettlement Framework as agreed between the Borrower, State, and ADB;
- (t) "RP" means a resettlement plan prepared in accordance with the RF for a Subproject as agreed between the Borrower, State, and ADB;
- (u) "SEA" means each of the State level executing agencies responsible to carry out the Project i.e., (i) the Public Works, Ports and Inland Water Transport Department in Karnataka; and (ii) Maritime Board in Maharashtra;
- (v) "State" means the State of Karnataka or Maharashtra as the context may desire;
- (w) "Subprojects" mean such proposals that are prepared by the SEAs under related Components of this Project as defined in Schedule 1 to this Agreement, that are in compliance with the 'Selection Criteria and Approval Procedure for Subprojects' attached as Schedule 4 to the FFA and for purposes of this Loan Agreement comprise (1) the Ullal Subproject in Karnataka; and (2) the Mirya bay Subproject in Maharashtra; and
- (x) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of fifty one million and five hundred and fifty five thousand dollars (\$51,555,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in 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 15 March and 15 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. (a) The Borrower shall make the proceeds of the Loan available to the States upon terms and conditions mutually agreeable to ADB and the Borrower, and shall cause the States to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the related Project Agreement.

(b) The Borrower shall make available to (i) Karnataka, part of the Loan in amount equivalent up to \$41,020,000; and (ii) Maharashtra, part of the Loan in an amount equivalent up to \$10,535,000, respectively, for carrying out the Project, in accordance with allocation of Loan proceeds under the attachment to Schedule 3 to this Loan Agreement.

(c) The Borrower shall cause the States 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 related Project Agreement.

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure or cause to be procured 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 cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 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 States 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, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. The Borrower shall make available to the States, 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 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 States to perform their respective obligations under the Project Agreements, 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 the 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

Department of Economic Affairs  
Ministry of Finance  
North Block  
New Delhi – 110001  
India

Facsimile Numbers:

(91-11) 2309-4075  
(91-11) 2309-2511

For ADB

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

Facsimile Numbers:

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

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names 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 objective of the Project is protecting and managing the coastlines in the States as detailed in the PFR.
2. The Project shall comprise the following components that will also be assisted through provision of Consulting Services as applicable.

Component 1: Sustainable Plans and Management for Shorelines - This will comprise (i) participatory shoreline management plans to meet the long term needs for shoreline management, (ii) functional coastal management information systems within each SEA with linkages to the central agencies, and (iii) management and supervision for coordination and implementation of Subprojects and preparation of detailed design of Subprojects for future tranches under the Facility.

Component 2: Coastal Erosion and Instability Reduction - This will comprise (i) reduction of coastal erosion and instability through the implementation of economically viable protection works using environmentally and socially appropriate solutions, and (ii) community and private sector initiatives in coastal erosion and instability reduction.

Component 3: Capacity Development for Shoreline Planning and Development - This will comprise (i) capacity development within districts and States to design, and implement shoreline protection and management projects, (ii) capacity development at States and district levels in private and public sector to provide specialist support for designing and reviewing coastal protection and management projects, (iii) capacity development of communities and stakeholders to manage and maintain the beaches, and (iv) mandated SEAs to coordinate all management of coastal projects and programs.

3. The Project is expected to be completed by 30 June 2014.

## SCHEDULE 2

### Amortization Schedule

#### (Sustainable Coastal Protection and 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	15 Mar 2016	0.827816
2	15 Sep 2016	0.869207
3	15 Mar 2017	0.912667
4	15 Sep 2017	0.958301
5	15 Mar 2018	1.006216
6	15 Sep 2018	1.056526
7	15 Mar 2019	1.109353
8	15 Sep 2019	1.164820
9	15 Mar 2020	1.223061
10	15 Sep 2020	1.284214
11	15 Mar 2021	1.348425
12	15 Sep 2021	1.415846
13	15 Mar 2022	1.486639
14	15 Sep 2022	1.560971
15	15 Mar 2023	1.639019
16	15 Sep 2023	1.720970
17	15 Mar 2024	1.807019
18	15 Sep 2024	1.897369
19	15 Mar 2025	1.992238
20	15 Sep 2025	2.091850
21	15 Mar 2026	2.196442
22	15 Sep 2026	2.306264
23	15 Mar 2027	2.421578
24	15 Sep 2027	2.542657
25	15 Mar 2028	2.669789
26	15 Sep 2028	2.803279
27	15 Mar 2029	2.943443
28	15 Sep 2029	3.090615

Schedule 2

Sequence	Date Payment Due	Installment Share (Expressed as a % based on 10% annuity)
29	15 Mar 2030	3.245146
30	15 Sep 2030	3.407403
31	15 Mar 2031	3.577773
32	15 Sep 2031	3.756662
33	15 Mar 2032	3.944495
34	15 Sep 2032	4.141720
35	15 Mar 2033	4.348806
36	15 Sep 2033	4.566246
37	15 Mar 2034	4.794558
38	15 Sep 2034	5.034286
39	15 Mar 2035	5.286000
40	15 Sep 2035	5.550311
	Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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 relevant State, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan 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 relevant State, 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 may 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 each SEA in 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 Indian 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 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.

<b>TABLE</b> <b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> <b>(Sustainable Coastal Protection and Management Investment Program - Project 1)</b>				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	36,838,000		91 percent of total expenditure claimed
1A	Karnataka		31,514,000	
1B	Maharashtra		5,324,000	
2	Equipment	550,000		100 percent of total expenditure claimed*
2A	Karnataka		273,000	
2B	Maharashtra		277,000	
3	Training	648,000		100 percent of total expenditure claimed*
3A	Karnataka		324,000	
3B	Maharashtra		324,000	
4	Studies and Surveys	538,000		100 percent of total expenditure claimed*
4A	Karnataka		303,000	
4B	Maharashtra		235,000	
5	Community Initiatives	766,000		100 percent of total expenditure claimed*
5A	Karnataka		502,000	
5B	Maharashtra		264,000	
6	Consulting Services	7,255,000		100 percent of total expenditure claimed*
6A	Karnataka		3,954,000	
6B	Maharashtra		3,301,000	
7	Unallocated	4,960,000		
7A	Karnataka		4,150,000	
7B	Maharashtra		810,000	
	Total	51,555,000		

\*Exclusive of local taxes and duties



## 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/or 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;
- (c) Shopping;
- (d) Force Account; and
- (e) Community Participation.

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### Domestic Preference

5. The States may 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 as between the Borrower, the States 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 States and ADB.

#### Community Participation in Procurement

7. Each State may allow its SEA to use community participation in procurement for Works contracts for Simple civil works contracts costing less than \$30,000 may be directly awarded to non-government organizations, community groups as a community works contract in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for Commencement of Civil Works under Contracts

8. The Borrower shall cause each State to ensure that its SEA shall not allow commencement of civil works under any contracts until the requirements specified under paragraph 5 of Schedule 5 to this Loan Agreement as applicable, are complied with.

Consulting Services

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

10. The States 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) Least-Cost Selection; and
- (b) Single Source Selection

11. The States shall recruit the individual consultants for in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

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

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

13. The States 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.

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 and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project and Operation of Project Facilities

#### Implementation Arrangements

1. The Borrower, States, and SEAs 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 the FFA or FAM shall become effective only after approval of such change by the Borrower, the States, and ADB. In the event of any discrepancy between the FFA or the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Subproject Approval and Implementation

2. Each State shall cause its SEA to 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 and safeguard requirements included under Schedule 5 to the FFA.

#### Environment

3. Each State shall cause its SEA to

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

(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 SEIA/SIEE as applicable shall be prepared and made available to the public 120 days before the Subproject is submitted to ADB for approval. Each State through its SEA shall monitor, audit, and report to ADB twice a year on the implementation of the EMPs for each Subproject.

#### Resettlement

4. Each State shall cause its SEA to undertake the Project and the Subprojects in accordance with ADB's policy on *Involuntary Resettlement* (1995), the RF, the relevant RP and applicable laws and regulations of the Borrower and the State.

5. 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 relevant State, its 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;

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(b) each State shall cause its SEA to 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; and

(c) each State shall cause its SEA to 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 State shall ensure through its SEA that all compensation programs are completed as outlined in RPs prior to the commencement of civil works.

6. Each State shall provide adequate budgetary support to cover the costs of land acquisition and resettlement. Each State with the assistance of its SEA shall submit progress and completion reports on land acquisition and resettlement for Subprojects under the quarterly progress reports for the Project. In addition, the external monitoring report shall be submitted to ADB by the State on a semiannual basis for review with regard to land acquisition and resettlement.

Indigenous Peoples

7. Each State through its 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 IPDF.

Social and Labor Standards

8. (a) Each State through 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; (ii) do not use children as labor; and (iii) follow legally mandated provisions of labor (including equal pay for equal work), health, safety, sanitation, welfare and working conditions. The contracts will also include clauses for termination in case of any breach of these provisions by contractors.

(b) Each State shall ensure that its SEA ensures that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

(c) Each State through SEA shall ensure that (i) women constitute up to 30% of beneficiaries of 50 communities that will be supported at each intervention district and (ii) Shoreline Management activities in each State shall have at least 30% women representation.

Institutional Reforms

9. Each State shall ensure timely compliance with the institutional development actions identified in the sector road map in table 1 of Schedule 1 to the FFA.

10. Each State shall ensure that its SEA

(a) introduces dual signing system in which the civil works contractor awarded the contract shall also sign an anticorruption contract with the SEA;

(b) ensures periodical inspection by its Project management unit of the contractor's activities related to fund withdrawals and settlements; and

(c) sets up website to foster transparency, timely awarding of contracts, and uploading detailed on Project activities and implementation.

11. Each State shall take all necessary steps to empower the SEAs to coordinate all coastal protection and management programs. Towards this the capacity of the SEAs shall be enhanced under the Program. Establishment of a coastal information management unit (CIMU) within the SEAs shall support the coordination of MIS.

12. Each State shall ensure evaluation of adequacy of budgetary requirements for necessary expenditures, in particular for operations and maintenance of subprojects. To ensure availability of the funds required to meet such expenditures, each State shall take into consideration various funding sources, including subsidies, financial performance of local bodies, introduction of schemes as necessary, to ensure financial sustainability through introduction of appropriate taxes as required and feasible.

Counterpart Support and Financial Management

13. (a) Each State shall ensure that its budget incorporates annual funding requirements of the project for its contribution and the release of funds.

(b) Each State shall ensure that sufficient counterpart funds are available from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Projects under the Facility.

14. A finance and administration unit shall be established in each Project Management Unit of relevant SEA to ensure compliance with Rules and regulations and reporting formalities to ADB. The Project finance manager shall be responsible for overseeing budgeting, accounting, and reporting of all financial transactions relating to the implementation of the Project under the overall supervision of the Project Director.

Performance Monitoring and Progress Reports

15. Within 3 months of the Effective Date, each State through its SEA shall establish an IPPMS for the Facility as also PPMS for the Project, both in form and substance acceptable to ADB. The PPMS shall track the Investment Program and Project implementation activities, corresponding target dates, expected outcomes, and assigned responsibilities under a monitoring mechanism that can be used to track progress on specific activities. The IPPMS

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and PPMS shall respectively aim to detect any deficiency and discrepancy between the plan and the execution of the Investment Program and Project in using the resources efficiently in order to ensure that timely corrections can be made to adjust the design of the Investment Program and Project as feasible.

16. Without limiting the generality of Section 2.08 of the Project Agreement, each State through its SEA shall prepare and provide ADB with quarterly progress reports on implementation of the Project and the Investment Program within 45 days of each quarter, that shall include report on progress made during the period of review, changes if any on implementation schedule, problems or difficulties encountered and remedial actions taken, work to be undertaken and Subprojects/Components to be proposed for financing in the coming quarter. The reports shall also include a summary financial account for each SEA, expenditures to date, and report on benefit monitoring undertaken pursuant to previous paragraph of this Schedule.

Review and Reports

17. (a) Based on a review of quarterly progress reports submitted in accordance with the preceding paragraph, ADB and the State, as required, will meet to discuss progress of the Investment Program and the Project, any changes to implementation arrangements or remedial measures required to be undertaken towards achieving overall objectives of the Project and the overall Investment Program.

(b) In addition to regular reviews including a midterm review for the Project a mid-term review of the Investment Program shall be undertaken, in July 2014 by ADB, the Borrower and the State. The mid-term review shall include a detailed evaluation of the respective Project and Investment Program scope, implementation arrangement, any outstanding issues, environment, resettlement and other safeguard issues, achievement of scheduled targets, and other issues, as appropriate.

18. Within 3 months of physical completion of the Project, the respective SEAs shall with intimation to the Borrower submit to ADB Project completion report. Likewise within 3 months of physical completion of all the projects under the Facility, the respective SEAs shall with intimation to the Borrower submit to ADB Facility completion report