
LOAN NUMBER 3549-IND

LOAN AGREEMENT
(Ordinary Operations)

(Sustainable Coastal Protection and Management Investment Program – Project 2)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 26 OCTOBER 2017

IND 40156

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 26 October 2017 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 ("Investment Program");

(B) by a periodic financing request dated 26 May 2016 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 the State of Karnataka ("State") acting through the Public Works, Ports and Inland Water Transport Department ("PWPIWTD"), and for this purpose the Borrower will make available to the State the proceeds of the Loan provided for herein upon terms and conditions mutually satisfactory to ADB and the Borrower; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the State.

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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) "CIMU" means the coastal infrastructure management unit;
- (b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

- (c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 2 of Schedule 1 to this Loan Agreement;
- (d) "EA" or "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the State acting through the Public Works, Ports and Inland Water Transport Department or any successor thereto acceptable to ADBs that is responsible for carrying out the Project;
- (e) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, prepared and submitted by the Borrower through the EA and cleared by ADB, and incorporated by reference in the FFA;
- (f) "Environmental Management Plan" or "EMP" means each environmental management plan for the Project, including any update thereto, incorporated in an IEE;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;
- (i) "FFA" means the framework financing agreement dated 1 September 2010 between ADB and the Borrower with respect to the Facility, as may be amended from time to time by agreement between ADB and the Borrower;
- (j) "Financing Arrangements" means the arrangements between the Borrower and the State as per current policy of the Borrower, and acceptable to ADB;
- (k) "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;
- (l) "Indigenous Peoples Planning Framework" or "IPPF" means the indigenous peoples planning framework for the Investment Program, including any update thereto, prepared and submitted by the Borrower through the State and cleared by ADB, and incorporated by reference in the FFA;
- (m) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto,

prepared and submitted by the Borrower through the State pursuant to the requirements set forth in the EARF and cleared by ADB;

- (n) "Investment Program" means the Sustainable Coastal Protection and Management Investment Program;
- (o) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (p) "km" means kilometer;
- (q) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);
- (r) "PAM" means the project administration manual for the Project dated 12 May 2017 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;
- (s) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 26 May 2016;
- (t) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (u) "Procurement Plan" means the procurement plan for the Project dated 12 May 2017 and agreed between the Borrower, the State and ADB, and included in the PAM, as also updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (v) "Project facilities" means the facilities to be constructed and the Goods to be provided under the Project;
- (w) "PWPIWTD" means the State's Public Works, Ports and Inland Water Transport Department,
- (x) "Resettlement Framework" or "RF" means the resettlement framework for the Investment Program, including any update thereto, prepared and submitted by the Borrower through the EA and cleared by ADB, and incorporated by reference in the FFA;
- (y) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (z) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with

implementation of, and compliance with, the EMP, and the RP, including any corrective and preventative actions;

- (aa) "State" means the State of Karnataka;
- (bb) "Subproject" means each subproject that is in compliance with the "Selection Criteria and Approval Procedure for Subprojects" attached as Schedule 4 to the FFA, and as further described in the PAM; and
- (cc) "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 sixty-five million five hundred thousand Dollars (\$65,500,000), 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 15 years, and a grace period as defined in subsection (c) hereinafter.

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

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% 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 December and 15 June in each year.

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

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

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to the EA through the State upon terms and conditions mutually satisfactory to ADB and shall cause the EA to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured by the EA, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 28 September 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed by the EA, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

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

Section 4.05. (a) In so far as it relates 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 so far as it relates to the Project, no rights or obligations under the Financing Arrangements shall be assigned, amended, abrogated or waived without prior concurrence of ADB.

ARTICLE V

Effectiveness

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

ARTICLE VI

Miscellaneous

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

of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

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

For the Borrower

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

Facsimile Number:

(91-11) 2309-2511

For ADB

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

Facsimile Numbers:

(63-2) 636-2444

(63-2) 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



Sameer Kumar Khare
Joint Secretary (MI)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By



Kenichi Yokoyama
Country Director

SCHEDULE 1

Description of the Project

1. The objective of the Project is to protect and manage shorelines in Karnataka 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. Construction or Upgrading and Evaluation of Coastal Erosion and Instability Mitigation Structures: Construction of 9 subprojects at erosion sites to protect approximately 54 km of the shorelines including; (i) reconstruction of approximately 9 km of rock revetment; (ii) construction of around 50 groynes; (iii) reconstruction of around 9 T-groynes; (iv) building of 1 offshore reef; (v) engaging in 180 ha of dune planting; (vi) provision of approximately 30,000 cubic meters of sand filled geotextile bag protection; and (vii) provision of approximately 1.8 million cubic meters of beach nourishment.

Component 2. Enhanced Capacity for Integrated Shoreline Planning and Development: Capacity building and institutional development including; (i) updating of participatory shoreline management plans and coastal information systems incorporating impacts of climate change; (ii) planning and designing of two subprojects; (iii) fully establishing and strengthening of CIMU and shoreline management organizations at nine subproject sites; and (iv) capacity strengthening within EA in project management including finance, construction and community participation.

3. The Project is expected to be completed by 31 March 2020.

SCHEDULE 2

Amortization Schedule

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

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 December 2022	3.333333
15 June 2023	3.333333
15 December 2023	3.333333
15 June 2024	3.333333
15 December 2024	3.333333
15 June 2025	3.333333
15 December 2025	3.333333
15 June 2026	3.333333
15 December 2026	3.333333
15 June 2027	3.333333
15 December 2027	3.333333
15 June 2028	3.333333
15 December 2028	3.333333
15 June 2029	3.333333
15 December 2029	3.333333
15 June 2030	3.333333
15 December 2030	3.333333
15 June 2031	3.333333
15 December 2031	3.333333
15 June 2032	3.333333
15 December 2032	3.333333
15 June 2033	3.333333
15 December 2033	3.333333
15 June 2034	3.333333
15 December 2034	3.333333
15 June 2035	3.333333
15 December 2035	3.333333
15 June 2036	3.333333
15 December 2036	3.333333
15 June 2037	3.333343
Total	100.000000

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

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

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

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

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (a) 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 (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with and by notice to the Borrower and the EA, (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, in consultation with and by notice to the Borrower and the EA, 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, and detailed arrangements agreed upon between ADB and the Borrower.

Retroactive Financing

5. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Civil Works	54,300,000	77.6% of total expenditure claimed
2	Equipment and Supplies	440,000	70% of total expenditure claimed
3	Studies and Surveys	50,000	14.7% of total expenditure claimed
4	Consulting Services	4,740,000	70% of total expenditure claimed
5	Unallocated	5,970,000	
	TOTAL	65,500,000	

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. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower and EA may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

4. Goods and Works shall be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping

Domestic Preference

5. The Borrower 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. The State's standard bidding documents and procurement procedures, used for national competitive bidding (civil works / goods) under ongoing ADB Loan No. 2679-IND as in use by the State were reviewed by ADB. These were found consistent with ADB's requirements, and shall apply to the Project. The State shall submit any modifications to such standard bidding documents and procurement procedures to ADB, together with justification, for ADB's prior approval and incorporation in the Procurement Plan and use under the national competitive bidding.

Conditions for Award of Contract

7. The Borrower shall ensure or cause the EA to ensure that no Works contract is awarded for a Subproject which involves environmental impacts until the EA has incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall ensure or cause the EA to ensure that no commencement of Works is allowed under any Works contract under any Subproject which involves environmental impacts and requires environmental clearances, until the EA has obtained the final approval of (i) the IEE from ADB; and (ii) environmental clearance including approval of the environmental assessment report, from the relevant environment authority of the Borrower and the State.

Consulting Services

9. Except as set forth in the paragraph below, the EA shall apply Quality- and Cost-Based Selection for Consulting Services.

Industrial or Intellectual Property Rights

10. (a) The EA 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 EA 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.

11. The EA 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

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

SCHEDULE 5**Execution of Project; Financial Matters**Implementation Arrangements

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

2. (a) The EA shall ensure that towards smooth implementation of the Project, grievances if any from stakeholders, relating to any Subproject implementation or use of funds are addressed effectively and efficiently.

(b) The Borrower shall ensure that the State and the EA comply with all the requirements and obligations on their part as included in this Loan Agreement and the Project Agreement to meet the objectives of the Project in a timely and efficient manner.

Subproject Approval and Implementation

3. The Borrower shall cause the EA 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.

SafeguardsEnvironment

4. The Borrower shall cause the EA to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, and all Subprojects' facilities comply with (a) all applicable laws and regulations of the Borrower and the State relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Involuntary Resettlement and Indigenous Peoples

5. The Borrower shall cause the EA to ensure that the Project does not involve any involuntary resettlement or indigenous peoples risks or impacts within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take or cause the EA to take all steps required to ensure that the Project complies with all applicable laws and regulations of the Borrower and the State and with the SPS, the RF, and the IPPF as appropriate.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall ensure, or cause the EA to ensure, that all necessary budgetary and human resources to fully implement the EMP are made available.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall ensure, or cause the EA to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE and the EMP, and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the EA with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, or the EMP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

8. The Borrower shall do, or cause the EA to ensure, the following:
- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, or the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Borrower shall cause the EA to ensure that no proceeds of the Loan under the Project are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

10. The Borrower and the EA shall ensure that 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: (a) carry out HIV/AIDS awareness programs for labor and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction; and (b) follow and implement all statutory provisions on labor (including not employing or using children as labor, and equal pay for equal work), health, safety, welfare, sanitation, and working conditions. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

Institutional Reforms

11. The State shall ensure continued compliance with the institutional development actions identified in the sector road map in table 1 of Schedule 1 to the FFA.

12. The State shall ensure that the EA

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

13. The State shall take all necessary steps to empower the EA to coordinate all coastal protection and management programs. Specifically, during the first 24 months from the Effective Date, the CIMU shall undergo capacity and institutional development supported by the project management unit. After the first 24 months, the CIMU shall operate as an additional wing of the EA under the Director of Ports and Inland Water Transport, with the responsibility over the coastal management and protection related matters.

14. The 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, the 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

15. (a) The State shall ensure that its budget incorporates annual funding requirements of the Project for its contribution and the release of funds.

(b) The 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 Subprojects under the Facility, including during and after the Subprojects' completion.

16. A finance and administration unit shall be established in the Project Management Unit of the EA 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.

Procurement

17. The EA shall announce the Project and business opportunities associated with the Project on its website. The website shall disclose the following information in relation to goods and services procured for the Project and Subprojects: (a) the list of participating bidders; (b) the name of the winning bidder; (c) the amount of the contracts awarded; and (d) the goods and services procured. In accordance with the Procurement Guidelines, the published information for International Competitive Bidding contracts shall also include the bid prices as read out at bid opening, the reasons for rejection of unsuccessful bidders, and the duration of the awarded contract.

Communications and Participation

18. The EA shall ensure that the Project is undertaken in conformity with the communication strategy as agreed between ADB, the Borrower, the State and the EA and referred in the PAM.

Governance and Anticorruption

19. The Borrower, the State and the EA shall comply with ADB's Anticorruption Policy (1998, as amended to date) and (a) shall ensure that the anticorruption provisions acceptable to ADB, the Borrower, the State and the EA are included in all bidding documents and contracts financed by ADB in connection with the Project, including provisions specifying the right of ADB to review and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Subprojects and the Project, and as included in the PAM; (b) shall allow and assist ADB's representatives to carry out random spot checks on the work in progress and utilization of funds for the Project; (c) acknowledge that ADB reserves the right to investigate directly or through its agents any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (d) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation, and as included in the PAM.

Gender and Development

20. The Borrower shall ensure that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.