
LOAN NUMBER 3996 - IND

LOAN AGREEMENT
(Ordinary Operations)

(Meghalaya Power Distribution Sector Improvement Project)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 01 December 2020

IND 51308-004

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 01 December 2020 between INDIA acting by its President (“Borrower”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

(A) 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 Meghalaya (“State”) acting through the Meghalaya Energy Corporation Ltd. (MeECL) (“Project Executing Agency” or “EA”), and for this purpose the Borrower will make the proceeds of the loan provided for herein, available to the State, and the State will make available the proceeds of the Loan to the EA, upon terms and conditions mutually satisfactory to ADB and the Borrower;

(C) by an agreement of even date herewith (“Grant Agreement”), ADB has agreed to make the proceeds of a grant from the Japan Fund for Poverty Reduction (“JFPR Grant”) available to the Borrower and through the Borrower to the EA, to be administered by ADB, in an amount of two million Dollars (\$2,000,000) for the purposes of the Project; and

(D) ADB has agreed to make a loan to the Borrower from ADB’s ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB on the one part, and the State and MeECL on the other part;

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) “EA” or the “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means the State acting through MeECL or any successors thereto, which is responsible for the carrying out of the Project;

- (b) “EMP” or “Environmental Management Plan” means the environmental management plan for the Project, including any update thereto, prepared and submitted by the Borrower through the EA, cleared by ADB, and incorporated in the IEE;
- (c) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (d) “Financing Arrangements” means the arrangements between the Borrower and the State as per current policy of the Borrower, and acceptable to ADB;
- (e) “FMAP” means the Financial Management Action Plan as included in the PAM;
- (f) “FRP” means the Financial Restructuring Plan as referred and included in the FMAP;
- (g) “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed to between the EA and ADB;
- (h) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including any related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;
- (i) “IEE” or “Initial Environment Assessment” means the Initial environmental assessment for the Project, including any update thereto, prepared and submitted by the Borrower through the EA pursuant to the requirements of the SPS and cleared by ADB;
- (j) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (k) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (l) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2017, as amended from time to time);
- (m) “MeECL” means the Meghalaya Energy Corporation Limited, or any successor thereto;
- (n) “MePDCL” means Meghalaya Power Distribution Company Limited, or any successor thereto;
- (o) “MNREDA” means the Meghalaya New and Renewable Development Agency, or any successor thereto;

- (p) “PAM” means the project administration manual for the Project dated September 2020 and agreed between the Borrower, EA and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, EA and ADB;
- (q) “PMU” means the Project Management Unit established at MeECL for the Project;
- (r) “Procurement Policy” means ADB’s Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (s) “Procurement Regulations” means ADB’s Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (t) “Project facilities” means the facilities to be rehabilitated or created under the Project;
- (u) “Procurement Plan” means the procurement plan for the Project as agreed between the Borrower, EA and ADB, as included in the PAM, as updated from time to time in accordance with the Procurement Policy, and other arrangements agreed with ADB;
- (v) “RIPP” or “Resettlement and Indigenous Peoples Plan” means each and any resettlement and indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the SPS and cleared by ADB;
- (w) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower through the EA to ADB that describes progress with implementation of, and compliance with, the EMP, and RIPP including any corrective and preventative actions;
- (x) “SPS” or “Safeguard Policy Statement” means ADB’s Safeguard Policy Statement (2009);
- (y) “State” means the State of Meghalaya;
- (z) “UDAY” means the Ujwal DISCOM Assurance Yojana which is the financial turnaround and revival package for electricity distribution companies of India (DISCOM), as initiated by the Borrower; and
- (aa) “Works” means construction or civil works as set out in the Procurement Plan and 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 one hundred and thirty two million and eight hundred thousand Dollars (\$132,800,000), 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; and

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 April and 15 October 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 upon terms and conditions mutually agreeable to ADB and the Borrower, 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 ensure, or cause the EA to ensure, that the items of expenditure to be financed out of the proceeds of the Loan are procured 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 February 2026 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 State and the EA, all obligations set forth in this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, 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 take all actions or 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 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

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

Facsimile Numbers:

(91-11) 2309-4075

For ADB

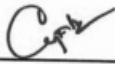
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

+63 2 8636-2444
+63 2 8636-2338.

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

INDIA

By 
C S Mohapatra
Additional Secretary (Fund Bank & ADB)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By 
Takeo Konishi
Country Director

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve reliability and quality of power supply for distribution consumers in the State.

2. The Project shall comprise the following outputs:

Output 1: Distribution network in Central, East Garo Hills and West Garo Hills strengthened and modernized. This will include (a) 33/11 kV substations: construction of 23 new substations and renovation and modernization of 45 units of 33/11 kV substations with transformer capacity upgradation including control room equipment and protection systems; (b) installation of auto reclosers and fault passage indicators at 11 kV and 33 kV lines; (c) 33kV and 11 kV distribution line upgradation; (d) distribution transformers upgradation in high load growth areas; and (e) renovation of rural distribution network to support community mini-grid generation;

Output 2: System for meter reading, billing and collection improved. This will include replacement of existing outdated electromechanical meters with smart meters targeting approximately 180,000 consumers (about 29% of distribution consumers), and upgrading of the existing meter testing laboratory. A smart metering scheme with online meter reading and billing with auto disconnection and reconnection of services will also be implemented in the capital city of Meghalaya for up to 75,000 consumers. This output will also be used for evaluation of technical and commercial feasibility for extension of full-fledged smart metering across the State in future;

Output 3: Capacity of the EA to plan and implement distribution sector projects developed. This will include support for (a) preparation of Distribution Sector Roadmap to plan the adequacy and effectiveness of the existing distribution system for meeting future system demands and service standards, and determine the developments needed in respective years; (b) preparation of financial roadmap to separate financial and Human Resource (HR) functions of MePDCL and MeECL; and (c) implementation support to effectively monitor the Project and ensure its technical, procurement and safeguard compliances as required; and

Output 4: Capacity and awareness of selected rural communities to use mini grid power efficiently and for livelihood developed. This will include installation of renewable energy mini grids to improve power quality and support income generation encompassing social and gender inclusion, and develop activities providing employment for rural community especially women using indigenously available resources. This output is to be supported by the JFPR Grant.

4. The Project is expected to be completed by 31 August 2025.

SCHEDULE 2**Amortization Schedule****(Meghalaya Power Distribution Sector Improvement Project)**

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 %)
1	15 April 2026	3.333333
2	15 October 2026	3.333333
3	15 April 2027	3.333333
4	15 October 2027	3.333333
5	15 April 2028	3.333333
6	15 October 2028	3.333333
7	15 April 2029	3.333333
8	15 October 2029	3.333333
9	15 April 2030	3.333333
10	15 October 2030	3.333333
11	15 April 2031	3.333333
12	15 October 2031	3.333333
13	15 April 2032	3.333333
14	15 October 2032	3.333333
15	15 April 2033	3.333333
16	15 October 2033	3.333333
17	15 April 2034	3.333333
18	15 October 2034	3.333333
19	15 April 2035	3.333333
20	15 October 2035	3.333333
21	15 April 2036	3.333333
22	15 October 2036	3.333333
23	15 April 2037	3.333333
24	15 October 2037	3.333333
25	15 April 2038	3.333333
26	15 October 2038	3.333333
27	15 April 2039	3.333333
28	15 October 2039	3.333333

Schedule 2

Sequence	Date Payment Due	Installment share (Expressed as a %)
29	15 April 2040	3.333333
30	15 October 2040	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 2 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 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 in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Turnkey Contract	122,200,000	100% of total expenditure claimed
2	Consulting Services	4,000,000	100% of total expenditure claimed
3	Unallocated	6,600,000	
	Total	132,800,000	

SCHEDULE 4

Execution of Project

Implementation Arrangements

1. The Borrower, the State, the EA, and the IAs shall all 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 EA and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower shall ensure or cause the EA to ensure, towards smooth implementation of the Project, that grievances if any from stakeholders relating to Project implementation or use of funds are addressed effectively and efficiently.
3. The Borrower shall ensure or cause the State and the EA to ensure compliance 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.
4. The Borrower shall ensure or cause the EA to ensure towards effective and timely implementation of the Project, that the Project Management Unit (PMU) and Project Implementation Units (PIUs) are always adequately staffed by competent and qualified personnel including for safeguards, social, finance, accounts, technical, and planning.
5. In the unforeseen event of any changes in implementation arrangements to meet the Project requirements, the Borrower, the State and the EA shall keep ADB informed on a timely basis and consult with ADB to ensure that any successor entities/arrangements adequately address Project implementation in a seamless manner towards timely completion of the Project.

Counterpart Support; Funds

6. The Borrower shall ensure or cause the State to ensure that it will make available the Loan proceeds under the Project to the EA under appropriate arrangements acceptable to ADB, and ensure:
 - (a) sufficient counterpart funds from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Project; and
 - (b) adequate funds towards operations and maintenance of Project facilities, through budgetary allocations or other means, to be provided to the EA, during and after Project completion.

Procurement

7. The Borrower shall ensure, or cause the EA to ensure, that:
 - (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;

Schedule 4

- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower through the EA may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
- (c) (i) all Goods, Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

8. The Borrower shall ensure, or shall cause the EA to, announce the Project and business opportunities (i.e., invitation of potential bids) associated with the Project on its website. The website shall disclose the following information in relation to Goods, Works and Services procured for the Project: (a) the list of participating bidders; (b) the name of the selected bidder; (c) the amount of the contracts awarded; and (d) the services procured.

9. The Borrower shall ensure or cause the EA to ensure that the environment and social safeguards capacity of MePDCL and MNREDA will be adequately strengthened and capacity developed through (i) trainings as detailed in the EMP and RIPP for MePDCL and MNREDA staff and their contractors; and (ii) consultant support.

Condition for award of contracts; commencement of Works

10. The Borrower shall ensure, or cause the EA to ensure, that no Works contract is awarded which involves environmental impacts until the EA has:

- (a) prepared, submitted and obtained final approval of the IEE from ADB and the relevant forest and environment clearances from statutory authorities of the Borrower and the State as applicable; and
- (b) incorporated the relevant provisions from the EMP into the related Works contract.

11. The Borrower shall ensure, or cause the EA to ensure, that no Works contract is awarded which involves involuntary resettlement impacts until the EA has prepared and submitted to ADB the final RIPP based on the detailed design and obtained ADB's clearance of the such RIPP.

12. The Borrower shall ensure, or cause the EA to ensure, that no Works contract is awarded which involves impacts if any on indigenous peoples until the EA has prepared and submitted to ADB the final RIPP (as applicable) and obtained ADB's clearance of such RIPP.

Schedule 4

13. The Borrower shall ensure or cause the EA to ensure that it shall not allow Works at substations to commence until it completes the time bound corrective action for existing facilities (substations) incorporated into the respective EMP.

Condition for Issuing Bids

14. The Borrower shall ensure or cause the EA to ensure that the draft IEE is submitted to ADB for review prior to bidding, and the EMP is included in the bidding documents.

SafeguardsEnvironment

15. (a) The Borrower shall ensure or cause the EA to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project 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) all measures and requirements set forth in the IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

(b) The Borrower shall ensure or cause the EA to ensure that (i) the detailed designs take into account slope stability for infrastructure on hilly terrain, structural integrity for rooftop solar on schools, high seismic risk, and climate change adaptation measures; (ii) the detailed designs adhere to Electromagnetic Field (EMF) exposure and noise guideline levels; (iii) the contractor's pollution prevention, solid and hazardous waste management, and health and safety management plans are approved prior to works; (iv) polychlorinated biphenyl (PCB) use in transformers is prohibited; (v) community awareness raising activities on the health and safety risks of distribution infrastructure and grant components are undertaken such that no residual significant impacts occur; and (vi) the relevant sections of IEE and audit report are updated to include asbestos impacts and management for existing substations including requirement to prohibit use of asbestos containing materials (ACM).

Land Acquisition and Involuntary Resettlement

16. The Borrower shall ensure or cause the EA to ensure that all land and all rights-of-way required for the Project and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower and the State relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) all measures and requirements set forth in the respective RIPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

17. Without limiting the application of the Involuntary Resettlement Safeguards, the RIPP, the Borrower shall ensure or cause the EA to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RIPP; and

Schedule 4

- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

18. Without limiting the application of the involuntary resettlement safeguards, the RIPP, the Borrower shall ensure or cause the EA to ensure that no physical or economic displacement takes place in connection with the Project until pay compensation and other resettlement entitlements before physical or economic displacement for the substations which require land acquisition and/or donation are completed.

Indigenous Peoples

19. The Borrower shall ensure or cause the EA to ensure that the Project does not have any indigenous peoples impacts, all within the meaning of the SPS. In the unforeseen event of any indigenous peoples impact in the Project, the Borrower shall ensure or cause the EA to take all steps required to ensure compliance with the applicable laws and regulations of the Borrower and the State, the RIPP, and the SPS.

Human and Financial Resources to Implement Safeguards Requirements

20. The Borrower shall ensure, or cause the EA to ensure, that all necessary budgetary and human resources to fully implement the EMP and the RIPP, as required, are made available on a timely basis.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

21. 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 respective IEE, EMP and RIPP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (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 respective IEE, EMP or RIPP;
- (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

22. The Borrower shall ensure or cause the EA to ensure the following:
- (a) submit semi-annual Safeguards Monitoring Reports for Involuntary Resettlement Safeguards and Environmental Safeguards to ADB, no later than 3 months after the end of respective reporting period to which it relates, 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 respective IEE, EMP or RIPP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any breach of compliance with the measures and requirements set forth in the respective EMP or RIPP promptly after becoming aware of the breach.

Prohibited List of Investments

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

Labor Standards, Health and Safety

24. The Borrower shall ensure, or cause the EA to 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, 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.

Communications and Participation

25. The Borrower shall ensure or cause the EA to 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.

Gender and Development

26. The Borrower shall ensure, or cause the EA to ensure, that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the

GAP, including progress toward achieving key gender output targets, are regularly monitored and reported to ADB.

Governance and Anticorruption

27. The Borrower shall ensure and cause the State and the EA to 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, the IAs and all contractors, suppliers, consultants, and other service providers as they relate to 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.

Operations and Maintenance

28. The Borrower shall ensure or cause the State to ensure that (a) the EA and IAs operate and maintain the Project facilities in an appropriate manner; and (b) funds required for the operations and maintenance of Project facilities are allocated annually and released in a timely manner during and after completion of the Project.

Facilities Maintenance

29. The Borrower through the EA shall ensure timely and adequate funds for maintenance of the facilities created under the Project.

Financial Restructuring and Sustainability

30. The Borrower shall ensure or cause the State and MePDCL to execute its responsibilities as set forth in the FMAP and other actions in timely manner in accordance with the tripartite memorandum of association dated on 9 March 2017, as per the UDAY. The actions shall include and not be limited to the following:

- (a) settle the balance of the MePDCL outstanding debt transfer to the State as per the FRP;
- (b) settle the outstanding dues of the State departments and its related parties against supply of power as per the FRP;
- (c) provide adequate funds to the MePDCL's financial losses as per the FRP, within 3 months after issuing audited financial statements for each year; and
- (d) review MePDCL's financial and operational performance on a monthly basis as per the FRP.

31. The Borrower shall ensure or cause the State and/or the EA as appropriate

- (a) to provide adequate guarantees to facilitate MePDCL to raise the necessary funds for working capital requirements;

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- (b) to budget an adequate amount of electricity payments of the State, its bodies/authorities, and municipalities against supply of power each year, with no later than 3 months after their electricity bills are issued;
- (c) to review and prepare additional FRP to reduce MePDCL outstanding debt (accumulated after the FRP cutoff date), in a form and substance satisfactory to ADB; and to duly implement the actions under the additional FRP;
- (d) to ensure to make an equity investment of ADB loan proceeds and the counterpart funds of the Project to MePDCL to augment MePDCL's capital base;
- (e) to ensure that MePDCL files tariff proposals to Meghalaya Electricity Regulatory Commission each year on a timely basis;
- (f) to cause MePDCL to review options by March 2021 and adopt a plan by June 2021 to address and reduce outstanding accounts receivables on MePDCL balance sheet (such a plan shall lay out a trajectory, including annual targets. Implementation of the plan and achievement of the targets shall be reviewed periodically by the State and ADB);
- (g) to cause MePDCL to prepare the action plans for (i) franchising schemes to improve the collection efficiency in problematic areas, (ii) demand side management schemes including differential tariffs in the peak seasons; and
- (h) to cause MePDCL to disconnect power supply and make appropriate allowances for any customers under doubtful debts of trade receivables.

Financial Management and Performance

32. The Borrower shall ensure or cause the State to cause MeECL and MePDCL to implement the following

- (a) by no later than 31 December 2022, prepare the distribution fixed asset registry for 33 kV and 11 kV voltage level including 33/11 kV and 11kV/400 V transformers - The fixed asset register should be for the total fixed assets of the company (not only some portions).
- (b) by no later than 31 March 2022, prepare a financial restructuring plan for MePDCL to improve financial position of MePDCL and its acceptance by the State;
- (c) by no later than 30 June 2023, prepare a financial roadmap with action plan to separate financial and HR functions of MePDCL from MeECL and its acceptance by the State;
- (d) by no later than 31 December 2022, strengthen the finance and accounts, and internal audit functions by adequate staffing with required qualifications;
- (e) by no later than 31 December 2022, implement the Enterprise Resource Planning system with finance, accounting, Human Resources, inventory, projects and other relevant functions, to ensure timely preparation of audited accounts and timely submission of tariff petitions; and

- (f) by no later than 30 June 2023, prepare a long-term distribution system investment plan and a roadmap to reduce AT&C losses.

33. The Borrower shall ensure or cause the State to cause MePDCL to implement the following towards effective financial management and performance: achieve number of days of average trade receivables to billable revenue for the year (i.e., average trade receivables divided by billable revenue for the year comprising of revenue plus GST thereon, as calculated from audited entity level financial statements of MePDCL) of:

- (a) equal to or less than 250 days by 31 March 2021;
- (b) equal to or less than 225 days by 31 March 2022;
- (c) equal to or less than 200 days by 31 March 2023;
- (d) equal to or less than 150 days by 31 March 2024 and thereafter.

Accounts and Audited Financial Statements

34. Notwithstanding the generality of Section 2.09 of the Project Agreement, the Borrower shall ensure that the EA shall cause the IAs to maintain Project accounts and have these audited by independent auditors acceptable to ADB and submit these to the EA on a timely basis.

35. In accordance with ADB's Access to Information Policy, ADB will disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt from the executing agency by posting them on ADB's website.

JFPR Grant

36. The Borrower shall ensure or cause the EA to ensure that all activities to be undertaken and compliances of requirements under the JFPR Grant are also undertaken and completed on schedule to ensure overall efficiency in the implementation of the Project.