
LOAN NUMBER 2794-IND

LOAN AGREEMENT
(Ordinary Operations)

(Himachal Pradesh Clean Energy Transmission Investment Program – Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 15 DECEMBER 2011

IND 43464

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 15 December 2011 between INDIA, acting by its President ("Borrower"), and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 17 August 2011 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Himachal Pradesh Clean Energy Transmission Investment Program;

(B) by a periodic financing request dated 17 August 2011, 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 Himachal Pradesh ("State"), acting through H.P. Power Transmission Corporation Limited ("HPPTCL"), and for this purpose the Borrower will make available to the State the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

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

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

(b) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(c) “D/C” means double circuit;

(d) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(e) “Environmental Management Plan” or “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(f) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(g) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(h) “FAM” means the Facility administration manual dated 17 August 2011 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;

(i) “FFA” means the framework financing agreement dated 17 August 2011 between ADB and the Borrower with respect to the Facility;

(j) “GIS” means gas-insulated switchgear;

(k) “Goods” means equipment and materials, including for electrical works, 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) “HPERC” means the Himachal Pradesh Electricity Regulatory Commission, or any legal successor thereto;

(m) “HPPTCL” means H.P. Power Transmission Corporation Limited, established under the Borrower’s Companies Act, 1956, or any legal successor thereto acceptable to ADB;

(n) “Indigenous Peoples Plan” or “IPP” means an indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the IPPF and cleared by ADB;

(o) “Indigenous Peoples Planning Framework” or “IPPF” means the indigenous peoples planning framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(p) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(q) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(r) “Investment Program” means the Himachal Pradesh Clean Energy Transmission Investment Program;

(s) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(t) “kV” means kilovolt;

(u) “LILO” means loop-in loop-out;

(v) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(w) “Onlending Agreement” means the onlending agreement to be entered into between the State and HPPTCL as referred to in Section 3.01(b) of this Loan Agreement;

(x) “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 17 August 2011;

(y) "PMU" means the project management unit established within HPPTCL for the purposes of the Investment Program;

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

(aa) "Procurement Plan" means the procurement plan for the Project dated 17 August 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(bb) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the State and HPPTCL or, in each case, any legal successor thereto acceptable to ADB;

(cc) "Project facilities" means the substations, transmission lines and other facilities to be constructed under the Investment Program;

(dd) "Resettlement Framework" or "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(ee) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(ff) "Rupee" means the lawful currency of the Borrower;

(gg) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(hh) "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, the RP and the IPP (as applicable), including any corrective and preventative actions;

(ii) "State" means the State of Himachal Pradesh;

(jj) "Subproject" means each and any of the subprojects described in paragraph 2 of Schedule 1 to this Loan Agreement; and

(kk) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including project related services such as auxiliary services rendered under the contracts to perform works such as survey and investigation, 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 thirteen million Dollars (\$113,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 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 LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.20% 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 subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions mutually agreeable to ADB and the Borrower.

(b) Subject to the provisions of the FFA, the Borrower shall cause the State to make the proceeds of the Loan available to HPPTCL under an Onlending Agreement on terms and conditions mutually acceptable to ADB. The Borrower shall submit, or cause the State to submit, the Onlending Agreement to ADB within one month from the Effective Date.

(c) The Borrower shall cause the State and HPPTCL 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, 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. 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 the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2018 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 Project to be carried out 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 and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, the funds, facilities, services, land 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 enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable the State and HPPTCL to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) In relation to the Project, the Borrower shall exercise its rights under the financing arrangements with the State pursuant to Section 3.01 of this Loan Agreement 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 such financing arrangements shall be assigned, amended, abrogated or waived without the prior notice 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 the Economic Affairs, Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

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

For the Borrower

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

Facsimile Number:

(9111) 2309-2024.

For ADB


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

Facsimile Numbers:

(632) 636-2444
(632) 636-2338.

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 

VENU RAJAMONY
Joint Secretary (MI)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By 

HUN KIM
Country Director
India Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Investment Program and the Project is to provide HPPTCL with sufficient assets and capacity to support its mandate as the State's transmission utility company.

2. The Project shall comprise:

(a) the creation of new transmission systems assets in the State as follows:

- (i) 66/220/400 kV GIS substation at Wangtoo, District Kinnaur, and connecting 400 kV D/C transmission line i.e., LILO, from Wangtoo to Abdullahpur;
- (ii) 220/400 kV GIS substation near Pragati Nagar, District Shimla, plus connection line by LILO of 400 kV D/C line from Jhakri to Abdullahpur;
- (iii) 66/220 kV GIS substation at Bhoktoo, District Kinnaur, plus connection line by LILO of 220 kV D/C line from Kashang to Bhaba;
- (iv) about 28 kilometers transmission line (220 kV D/C line) from Hatkoti to Pragati Nagar, District Shimla; and

(b) capacity development of HPPTCL through:

- (i) development and installation of an enterprise resource planning system;
- (ii) procurement of miscellaneous computer and engineering design equipment; and
- (iii) staff training on the use of these systems and equipment;

all as more fully described in the PFR.

3. HPPTCL will engage Consulting Services for the capacity development activities. The Project is expected to be completed by 31 December 2017.

SCHEDULE 2

Amortization Schedule

(Himachal Pradesh Clean Energy Transmission 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.

<u>Date Payment Due</u>	<u>Installment Share (Expressed as a % based on 10% annuity)</u>
15 March 2017	0.827816
15 September 2017	0.869207
15 March 2018	0.912667
15 September 2018	0.958301
15 March 2019	1.006216
15 September 2019	1.056526
15 March 2020	1.109353
15 September 2020	1.164820
15 March 2021	1.223061
15 September 2021	1.284214
15 March 2022	1.348425
15 September 2022	1.415846
15 March 2023	1.486639
15 September 2023	1.560971
15 March 2024	1.639019
15 September 2024	1.720970
15 March 2025	1.807019
15 September 2025	1.897369
15 March 2026	1.992238
15 September 2026	2.091850
15 March 2027	2.196442
15 September 2027	2.306264
15 March 2028	2.421578
15 September 2028	2.542657

<u>Date Payment</u> <u>Due</u>	<u>Installment Share</u> <u>(Expressed as a % based on 10% annuity)</u>
15 March 2029	2.669789
15 September 2029	2.803279
15 March 2030	2.943443
15 September 2030	3.090615
15 March 2031	3.245146
15 September 2031	3.407403
15 March 2032	3.577773
15 September 2032	3.756662
15 March 2033	3.944495
15 September 2033	4.141720
15 March 2034	4.348806
15 September 2034	4.566246
15 March 2035	4.794558
15 September 2035	5.034286
15 March 2036	5.286000
15 September 2036	<u>5.550311</u>
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: (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 the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory 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, in consultation with and by notice to the Borrower, (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, 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 Accounts and Statement of Expenditures

5. 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 HPPTCL at a commercial bank acceptable to ADB (collectively, imprest accounts). The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest accounts shall only be used for the purposes of the Project. The currency of the first generation imprest account shall be the Dollar, and the currency of the

second generation imprest accounts shall be the Rupee. 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, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Himachal Pradesh Clean Energy Transmission Investment Program – Project 1)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Equipment	112,550,000	100% of total expenditure claimed
2	Consulting Services	200,000	100% of total expenditure claimed
3	Institutional Development and Strengthening	250,000	100% of total expenditure claimed
	Total	113,000,000	

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. 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

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The 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.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's and the State's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

6. HPPTCL shall not award any Works contract for a Subproject which involves environmental impacts until HPPTCL has incorporated the relevant provisions from the EMP into the Works contract.
7. HPPTCL shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final RP based on the Subproject's detailed design, and obtained ADB's clearance of such RP.

Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in the paragraph below, HPPTCL shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. HPPTCL shall recruit the individual consultants for project planning, project implementation, financial management and enterprise resource planning system design in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (a) HPPTCL 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) HPPTCL 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. HPPTCL 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 shall cause the State and HPPTCL to ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM and the provisions of the FFA and this Loan Agreement. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The State and HPPTCL shall ensure that the PMU employs sufficient staff for the duration of the Project with adequate and relevant expertise in the field of project management, financial management, engineering, construction supervision, procurement, equipment inspection and testing, and environmental and social safeguards implementation. The State and HPPTCL shall keep the PMU equipped with the necessary office space, facilities, equipment, support staff and management information systems for the entire duration of the Project. The State and HPPTCL shall endeavour to assign the same persons to key positions in the PMU for the entire duration of the Project.

Counterpart Support; Onlending Agreement

3. The State and HPPTCL shall provide all counterpart funds, land and facilities required for timely and effective implementation of the Project, including, without limitation, any funds required to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances.
4. The State and HPPTCL shall ensure that the Onlending Agreement, in form and substance mutually acceptable to the Borrower and ADB, is submitted to ADB within one month from the Effective Date.

Selection Criteria and Approval Process for Subprojects

5. The State and HPPTCL shall ensure that all Subprojects are selected and approved in accordance with the selection criteria and approval process stipulated in Schedule 4 to the FFA.
6. The State and HPPTCL shall ensure that all documents forming the basis for screening, selection and processing of Subprojects are made available to ADB upon request and are kept available for such purposes for a minimum period of five years from the date of the project completion report for the Project.

Environment

7. The State and HPPTCL shall ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and

requirements set forth in the IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

8. The State shall ensure or cause HPPTCL to ensure that all land and all rights-of-way required for each Subproject 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 relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

9. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the State and HPPTCL shall ensure that no physical or economic displacement takes place in connection with the Subprojects until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

10. The State and HPPTCL shall ensure that the Project does not have any impact on indigenous peoples within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the State shall ensure or cause HPPTCL to ensure that the preparation, design, construction, implementation and operation of the relevant Subproject(s) comply with (a) all applicable laws and regulations of the Borrower and the State relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the IPPF; and (d) all measures and requirements set forth in the relevant IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

11. The State and HPPTCL shall make available necessary budgetary and human resources to fully implement the EMP, the RP and any IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

12. The State and HPPTCL shall 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, the EMP, the RP and any IPP (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 HPPTCL 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, the EMP, the RP or any IPP;
- (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

13. The State and HPPTCL shall do 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, the EMP, the RP or any IPP, 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 EMP, the RP or any IPP promptly after becoming aware of the breach.

Prohibited List of Investments

14. The Borrower, the State and HPPTCL shall 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

15. The Borrower shall ensure or cause the State and HPPTCL to ensure that Works contracts 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) 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; and (iii) maximize employment of women and local poor and disadvantaged persons for construction purposes, provided that the requirements for efficiency are adequately met. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

Tariff

16. HPPTCL shall submit to HPERC tariff applications for each Subproject in a timely manner prior to commercial operation of the Subproject. HPPTCL will promptly cause to be delivered all documentation reasonably requested by the competent regulatory State authorities so as to ensure a prompt decision by HPERC on the applicable tariff rates.

Implementation of capacity development recommendations

17. HPPTCL shall analyze the recommendations made by consultants under the capacity development component of the Project for adoption of suitable management information systems, and agree with ADB on implementation in accordance with a time-bound action plan that ensures that the relevant outputs are achieved within the Project implementation period.

Organizational Matters

18. In relation to the Project, no later than 31 December 2013, HPPTCL shall have recruited and engaged (i) key personnel for its finance department, including a deputy general manager and three additional staff with adequate qualifications, preferably as chartered accountant, master in business administration specializing in finance, or costs and works accountant; and (ii) staff required to meet substantially all its other staffing requirements as laid down in its organization chart and staffing plan, as updated from time to time in consultation with ADB.

19. Subject to HPPTCL's recruitment and promotion rules, HPPTCL shall generally recruit all personnel on a competitive and transparent basis through open advertisements in the relevant printed media and on their websites.

Debt service coverage ratio

20. Unless otherwise required by the HPERC, from January 2017 onwards HPPTCL shall maintain a debt-service coverage ratio of 1.2. For the purposes of this provision, the term "debt" means any indebtedness maturing by its terms more than one year after the date on which it is originally incurred.

Sector policies

21. The Borrower and the State shall remain committed to, and monitor and enforce, the implementation of the Electricity Act, 2003, the National Electricity Policy, 2005 and the Himachal Pradesh Hydropower Policy, 2006.

22. By no later than December 2012, the Borrower, the State and its power sector entities shall develop a time-bound action plan to complete unbundling of the State's power sector utilities in accordance with the Electricity Act, 2003.

Governance and Anticorruption

23. The Borrower, the State and HPPTCL shall ensure 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.

24. HPPTCL shall announce the Project and business opportunities associated with the Project on its website. In addition, the website shall at least disclose the following information in relation to Consulting Services, Works and Goods procured for the Project: (i) the list of participating bidders, (ii) the name of the winning bidder, (iii) the amount of the contracts awarded, and (iv) the goods and services procured.

25. HPPTCL, through the PMU and through independent auditors, shall conduct periodic inspections and random spot checks of contractors' activities related to fund withdrawals and settlements.