LOAN AGREEMENT
(Ordinary Operations)
(Rajasthan Urban Sector Development Investment Program – Project 3)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 17 MARCH 2011

LAL:IND 40031
LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated 17 March 2011 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;

(B) the Project will be carried out by the State of Rajasthan (hereinafter
called the State) and for this purpose the Borrower will make available to the State the
proceeds of the Loan provided for herein upon terms and conditions mutually agreeable to
ADB and the Borrower; and

(C) 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 the Ordinary Operations Loan
Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital
Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the
same force and effect as if they were fully set forth herein, subject, however, to the following
modifications (such Ordinary Operations Loan Regulations as so modified being hereinafter
called the Loan Regulations):

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit.

(a) The Borrower
shall pay a commitment charge on the unwithdrawn amount of
the Loan at the rate and on the terms specified in the Loan
Agreement.

(b) ADB shall provide to the Borrower a credit at
the rate specified in the Loan Agreement, which credit shall
remain fixed for the term of the Loan. ADB shall apply the
amount of the credit against the interest payable by the
Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:
(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum), by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum), by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.
Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Component" means each and any of the Project components described in Schedule 1 to this Loan Agreement;

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

(c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in Component B of paragraph 1 of Schedule 1 to this Loan Agreement;

(d) "DSCs" means the design and supervision consultants engaged for the Project;

(e) "EARF" means the Environmental Assessment and Review Framework as agreed among the Borrower, the State, and ADB, initially attached under Schedule 5 to the FFA, as updated to reflect the Safeguard Policy Statement and endorsed by the State on 28 October 2010;

(f) "EIA" means the Environment Impact Assessment;

(g) "EMP" means the Environment Management Plan as agreed among the Borrower, the State, and ADB to reflect the Safeguard Policy Statement;

(h) "Executing Agency" or "EA" for the purposes of the Loan Regulations means the "State acting through the LSGD";

(i) "Facility" means the multitranche financing facility established by ADB for the Borrower pursuant to the FFA to support the Investment Program described therein;

(j) "FAM" means the facility administration manual for the Facility and Investment Program dated March 2008 and agreed among the Borrower, the State, and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, the State, and ADB;

(k) "FFA" means the Framework Financing Agreement dated 28 September 2007 between ADB and India for the Facility;

(l) "Financing Arrangements" means the arrangements between the Borrower and the State in accordance with the current policy of the Borrower, and acceptable to ADB;

(m) "Gender Action Plan" means the gender action plan prepared for the Project in accordance with the Policy on Gender and Development and approved by the Borrower;
(n) "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;

(o) "IEE" means each and any of the Initial Environmental Examinations prepared for 6 sample Subprojects under the Project and approved by the State on 28 October 2010;

(p) "IFAP" means the Institutional and Financial Improvement Action Plan set out in Table 2 of Schedule 1 of the FFA;

(q) "Investment Program" means the entire program for the State urban development program as described under the FFA;

(r) "IPF" means the Indigenous Peoples’ Framework as agreed among the Borrower, State, and ADB, initially attached under Schedule 5 to the FFA, updated to reflect the Safeguard Policy Statement and endorsed by the State on 28 October 2010;

(s) "IPU" means the Investment Program Implementation Unit which shall also be the implementation unit for the Project;

(t) "IPMC" means the Investment Program management consultants;

(u) "IPMU" means the Investment Program management unit, which shall also be the management unit for the Project;

(v) "IPP" means the Indigenous Peoples’ Plan as applicable for a Subproject agreed between the Borrower, the State, and ADB;

(w) "IPPMS" means the Investment Program Performance Management System;

(x) "LSGD" means Local Self Government Department of the State;

(y) "O&M" means operations and maintenance;

(z) "PAM" means the project administration manual for the Project dated 2 November 2010 and agreed between the Borrower, the State, and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, the State, and ADB;

(aa) "PFR" means the periodic financing request to be submitted by the Borrower for purposes of each loan under the Facility and for purposes of this Loan Agreement means the PFR dated 8 November 2010;

(bb) "PHED" means the State’s Public Health Engineering Department;

(cc) "Policy on Gender and Development" means ADB’s Policy on Gender and Development (1998);
(cc) “PPP” means public-private partnership;

(dd) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(ee) “Procurement Plan” means the procurement plan for the Project as attached to the PFR and agreed between the Borrower, the State, and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(ff) “Project” means as generally defined under the Loan Regulations and referred to as Project 3 under the Investment Program for this Loan Agreement;

(gg) “RF” means the Resettlement Framework as agreed between the Borrower, the State, and ADB, initially attached under Schedule 5 to the FFA, updated to reflect the Safeguard Policy Statement and endorsed by the State on 28 October 2010;

(hh) “RP” means each and any of the Resettlement Plans prepared for or to be prepared as applicable for any Subproject and as agreed between the Borrower, State, and ADB including those for Bharatpur wastewater, Sawai Madhopur drainage, Chittorgarh water supply, and Chittorgarh heritage Subprojects endorsed by the State on 28 October 2010;

(ii) “Safeguard Policy Statement” means ADB’s Safeguard Policy Statement (2009);

(jj) “SEIA” means a summary EIA;

(kk) “Selection Criteria” means the selection criteria for the Subprojects and the participating ULBs set out in Schedule 4 to the FFA;

(ll) “SIEE” means a summary IEE;

(mm) “State” means the State of Rajasthan of the Borrower;

(nn) “Subproject” means each and any subproject prepared by the EA for the Project Components set out in Schedule 1 to this Loan Agreement which satisfies the Selection Criteria;

(oo) “ULB” means each and any of the Urban Local Bodies which are selected to participate in the Project in accordance with the Selection Criteria;

(pp) “Water Tariff Revision Roadmap” means the letter of the State delivered to ADB pursuant to the second tranche disbursement under the Facility, concerning milestones in tariff reform for water and solid waste management services, and dated 27 August 2008; and

(qq) “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-three million Dollars ($63,000,000), 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 paragraph (c) of this Section.

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

Section 2.02.  The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.30% as provided by Section 3.03 of the Loan Regulations.

Section 2.03.  The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04.  Interest and other charges on the Loan shall be payable semiannually on 15 March and 15 September in each year.

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

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

(i)  a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;

(ii)  a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa, and

(iii)  the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.
(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion," as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions mutually agreeable to ADB and the Borrower, and shall cause the State 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 Goods, Works and Consulting Services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and Consulting Services shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works and Consulting Services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where Goods, Works or Consulting Services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and Consulting Services 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 2015 or such other date as may from time to time be agreed between the Borrower and ADB.
ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the State to carry out the Project with due diligence and efficiency and in conformity with sound applicable administrative, technical, financial, business, engineering, environmental and urban development and public utility 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 8 to this Loan Agreement.

Section 4.02. The Borrower shall make available to the State, promptly as needed, the funds, facilities, services, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

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

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable the State to perform its obligations under the Project Agreement, including the establishment and maintenance of tariffs as stipulated in paragraphs 6 and 7 of Schedule 8 to this Loan Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. The Borrower shall (a) maintain, or cause to be maintained, separate accounts for the Project; (b) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (c) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language; and (d) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

Section 4.06. (a) In relation to the Project, the Borrower shall exercise its rights under the Financing Arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) In relation to the Project, no rights or obligations under the Financing Arrangements shall be assigned, amended, abrogated or waived without prior notice to ADB.
ARTICLE V

Effectiveness

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

ARTICLE VI

Miscellaneous

Section 6.01. The Secretary, Additional Secretary, Joint Secretary, Director, or Deputy Secretary in the Department of Economic Affairs 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
North Block
New Delhi – 110001
India

Facsimile Numbers:
(91-11) 2305-2477
(91-11) 2309-2511.

For ADB

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

Facsimile Numbers:
(632) 636-2444
(632) 636-2305.
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

INDIA

By: [Signature]

VENU RAJAMONY
Joint Secretary (MI)

ASIAN DEVELOPMENT BANK

By: [Signature]

HUN XIM
Country Director
SCHEDULE 1

Description of the Project

1. The Project comprises the following Components as described in greater detail in the PFR:

Component A: Urban Infrastructure Improvement

(a) Water Supply: Improvements of the existing water supply and/or distribution systems including by construction and rehabilitation, procurement of household meters, and replacement of certain pumping stations in the selected ULBs.

(b) Sewerage and Sanitation: Construction of sewage treatment plants, collection network, and outfalls, and procurement of sewer cleaning equipment in the selected ULBs.

(c) Urban Drainage: Rehabilitation and construction of roadside drains in the selected ULBs.

(d) Urban Transport: Rehabilitation and construction of bridges and road over bridges and widening and strengthening of existing roads in the selected ULBs.

(e) Solid Waste Management: Development of sanitary landfill sites.

(f) Fire Fighting: Construction of fire stations and procurement of equipment in selected ULBs.

(g) Heritage: Rehabilitation of the existing historic structures in selected ULBs.

Component B: Capacity Development and Implementation Support

(a) Capacity Building and Institutional Development: Consultancy support to identify gaps and measures, implementation of institutional restructuring and strengthening, and training of the ULBs and State-level service providers.

(b) Implementation Support: Consultancy support for Project preparation and implementation, design and supervision, Community Action Participation Program, WPMS, and incremental administration.

2. The Project is expected to be completed by 31 December 2014.
### SCHEDULE 2

**Amortization Schedule**

(Rajasthan Urban Sector Development Investment Program – Project 3)

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.

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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 taken into account on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADR 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. 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 Goods, Works, and Consulting Services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category ("Table"). (Reference to “Category” or “Categories” in this Schedule is to a Category or Categories of the Table and reference to “Subcategory” or “Subcategories” in this Schedule is to a Subcategory or Subcategories of a Category).

Percentages of ADB Financing
2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Taxes and Duties
3. No withdrawals from the Loan Account shall be made in respect of taxes and duties imposed within the territory of the Borrower.

Reallocation
4. 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 notice to the Borrower and the State, (i) reallocate 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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with and notice to the Borrower and the State, reallocate such excess amount to any other Category.

Disbursement Procedures
5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and Consulting Services shall be disbursed in accordance with ADB’s “Loan Disbursement Handbook” dated January 2007 (ADB’s Loan Disbursement Handbook), as amended from time to time.
Imprest Account: Statement of Expenditure

6. (a) Except as ADB may otherwise agree, the Borrower shall 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 the EA 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 currency of the first generation imprest accounts shall be the Dollar, and the currency of the second generation imprest accounts shall be the Indian rupee. The aggregate initial 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 (SOE) procedure may be used for reimbursement of eligible expenditures for the Project and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower, the States and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $100,000.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable 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**

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>ADB FINANCING BASIS</th>
</tr>
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<tr>
<td>Number</td>
<td>Total Amount Allocated for ADB Financing ($), Percentage of ADB Financing from the Loan Account</td>
</tr>
<tr>
<td>1</td>
<td>Urban Infrastructure Improvement</td>
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<tr>
<td>1A</td>
<td>Civil Works</td>
</tr>
<tr>
<td>1B</td>
<td>Equipment</td>
</tr>
<tr>
<td>2</td>
<td>Capacity Development and Implementation Support</td>
</tr>
<tr>
<td>2A</td>
<td>Incremental Administration</td>
</tr>
<tr>
<td>2B</td>
<td>Preparation and Implementation Assistance</td>
</tr>
<tr>
<td>3</td>
<td>Unallocated</td>
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<tr>
<td>3A</td>
<td>Physical Contingencies</td>
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<tr>
<td>3B</td>
<td>Price Contingencies</td>
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<tr>
<td>Total</td>
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</table>

*Exclusion of taxes and duties imposed within the territory of the Borrower.
SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works, and Consulting Services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
   (a) International Competitive Bidding;
   (b) National Competitive Bidding;
   (c) Limited International Bidding; and
   (d) Shopping.

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.

4. Domestic Preference. The Borrower may allow the State to grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.36 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.36 of the Procurement Guidelines for domestic Works.

5. National Competitive Bidding. The State’s standard bidding documents and procurement procedures, as used for National Competitive Bidding (civil works and goods) under the previous ADB Loan No. 1047 and further applicable to ADB Loan No. 2386, as reviewed by ADB with the State and LSG, and with certain modifications found consistent with ADB requirements shall apply as reflected in the Procurement Plan. Any subsequent change to agreed modifications if any, shall become effective only after concurrence of such change by the Borrower and ADB.
C. Conditions for Award of Contract

0. The Borrower shall cause the State not to award any civil works contract or commence works under any civil works contracts (as applicable on a Subproject basis) financed under the Loan until the following conditions shall have been satisfied:

(a) For water supply Subprojects, the related PHED/ULB shall have set up a separate accounting system for water supply and sewerage for the ULB.

(b) For urban transport Subprojects, the concerned ULB shall have prepared a comprehensive citywide traffic and transportation plan.

(c) For urban drainage Subprojects, the concerned ULB shall have prepared a citywide drainage master plan.

(d) For urban sewerage and sanitation Subprojects, the concerned ULB shall have prepared a citywide sewerage and sanitation master plan.

(e) For urban solid waste management Subprojects, the concerned ULB shall have prepared a citywide solid waste management master plan, which shall envisage integration of the concerned landfill Subprojects with house to house collection, segregation at source and other delivery to landfill arrangements.

D. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall cause the State to apply quality- and cost-based selection for selecting and engaging Consulting Services.

8. The Borrower shall cause the State to apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- Least-Cost Selection (LCS)
- Consultants' Qualifications Selection (CQS)
- Quality Based Selection (QBS)

E. Industrial or Intellectual Property Rights

9. (a) The Borrower shall cause the State to 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 Borrower shall cause the State to 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.
10. The Borrower shall cause the State to 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.

F. ADB’s Review of Procurement Decisions

11. All 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, the State, and ADB and set forth in the Procurement Plan.
SCHEDULE 5

Execution of Project and Operation of Project Facilities

Implementation Arrangements

1. The Borrower and the State through LSGD 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 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 procure that the State through LSGD shall ensure that the IPMU and IFUs established for the Project employ sufficient staff with adequate and relevant expertise in the field of engineering, project management, financial management, procurement, and environmental and social safeguards assessment and implementation. The Borrower shall procure that the State through LSGD shall keep the IPMU and IFUs equipped with the necessary office space, facilities, equipment, support staff and management information systems for the entire duration of the Project.

Counterpart Funds

3. The Borrower shall make available to the State the proceeds of the Loan and shall on-lend such proceeds to the concerned ULBs under the Financing Arrangements as agreed.

4. The Borrower and/or the State shall make available, through budgetary allocations or other means, all counterpart funds required for timely and effective implementation of the Project. Subprojects and Components, including any funds required (a) to meet any shortfall between cost and revenues for the operation and maintenance of the facilities created or rehabilitated under the Subprojects, during and after Subproject completion, (b) to mitigate unforeseen environmental and social impacts, and (c) to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances. The Borrower and/or the State shall make the resources thus required available on an annual basis for each fiscal year.

Subproject Selection and Implementation

5. The State through LSGD shall ensure that all ULBs participating in the Project and Subprojects therein are selected, processed, and implemented in accordance with the Selection Criteria. The State through LSGD shall ensure that civil works for all Subprojects are synchronized with civil works for sewerage, water supply pipe laying, and drainage, as appropriate.

Institutional Reforms and Sustainability

6. The State through LSGD shall ensure compliance by all ULBs participating in the Project with the institutional and financial improvement plan (IFIAP), and for each of the concerned ULBs shall ensure that the IFIAP including water, sewerage, solid waste tariffs
and replacement for property tax, is implemented on schedule in accordance with the FFA, including without limitation (a) that the water tariff collection rate in the concerned ULBs shall be at or above the level of 85% by the end of 3 years of the Effective Date; (b) that 90% of total population is connected to the piped water supply system and 100% of the connected customers are metered in the ULBs undertaking water supply Subprojects within 4 years of the Effective Date; and (c) for urban solid waste management Subprojects, that user charges are applied to cover no less than 50% of operation and maintenance costs within 1 year of Subproject completion in accordance with the IFIAP.

7. The State through LSGD shall ensure implementation on a timely basis of the key milestones in the Water Tariff Revision Roadmap in order to ensure that by December 2014 the water tariff level is sufficient to cover full operation and maintenance of the water operations for each concerned ULB in accordance with the FFA and IFIAP and this Loan Agreement, and shall include updates on the progress of such implementation in the quarterly progress reports to ADB as described in the PAM.

8. The State through LSGD shall ensure that the State Committee is to be formed by September 2011 to establish and implement the planned water tariff, specified in the Water Tariff Revision Roadmap, shall give consideration to cost of operations and maintenance schemes in the concerned ULBs and other social and economic factors specific to the concerned ULB.

9. For urban solid waste management Subprojects, the State through LSGD shall ensure that the concerned ULB shall make its best efforts to ensure that house to house collection is implemented in at least 50% of households served, and the State through LSGD shall initiate pilot programs in selected ULBs for establishment of segregation at source practices.

10. For urban sewerage Subprojects involving sewerage networks, treatment plants and pumping stations, the concerned ULBs shall carry out, in pilot areas, a willingness to connect survey through consultants of potential sewerage beneficiaries to assess the willingness or constraint to take sewer connections.

11. For urban sewerage Subprojects, the concerned ULB shall make all efforts to ensure individual connections to sewerage facilities when the Subproject scope, as made mandatory in the relevant ULB in accordance with the IFIAP and the Rajasthan Municipalities Act, 2009.

12. For urban sewerage Subprojects where wastewater treatment plants are involved, IPMU will arrange a site visit by concerned UIR/PMUs to the tertiary wastewater treatment plant in Jaipur under Loan No. 1047 for the purpose of observing and assessing, in a report to ADB and the State, the replicability on a pilot basis in the concerned ULB of cost-saving components of energy generation and tertiary water production.
Public Private Partnership Modalities

13. (a) The EA shall ensure that the contractual documents under any PPP modality, in particular the extended O&M, build-operate-transfer (BOT), or performance based management contracts, as applicable, are provided to ADB prior review and approval, for use under individual Subprojects.

(b) Following the practice established within ADB Loan No. 2356, the Project shall continue to adopt extended O&M contracts for sewage treatment plants, pursuant to which the contract for construction envisages and includes O&M by a private contractor for a period of 5 years after the date of completion of construction. PPP for other urban sub-sectors and of other modalities shall be further explored and developed in collaboration with the PPP cell established in the State under ADB TA No. 4860.

Other Subproject specific requirements

14. The State through LSGD shall ensure that the specific Subproject requirements set out in the PAM are complied with.

Operations and Maintenance

15. The State through LSGD shall ensure that the concerned ULB staff shall be trained by the contractors and gradually take over the Subproject facilities. In this regard, the IPMU and IPUs shall ensure that an O&M plan will be developed for such Subproject facilities in each ULB. The O&M plan will also assess additional human and financial resources required by each ULB for smooth hand-over of Subproject facilities to the ULB.

Safeguards and Social Issues

16. Environment. The State through LSGD shall ensure that:

(a) the Project is carried out and all Subproject facilities designed, constructed, operated, maintained, and monitored in compliance with the Safeguard Policy Statement, relevant national environmental laws and regulations, the IEE and the EARs for the Project and Subprojects; all mitigation and monitoring mechanisms set out in the IEEs or EIAs and related EMP will be incorporated in the Subproject design and compiled with throughout Project implementation; all environmental requirements are incorporated in bidding documents and civil works contracts, all environmental clearances required by applicable laws and regulations at Borrower, State or local levels shall be obtained prior to commencement of civil works for the relevant Subproject; and that environmental monitoring results are incorporated into quarterly progress reports;

(b) Subprojects encroaching any National Park or its buffer zone shall not be included in the Project; however, Subprojects in or close to wildlife sanctuaries or any other environmentally sensitive areas may be allowed subject to the State through LSGD obtaining all statutory clearances;
(c) an IEE or EIA, as required, including an EMP with budget identifying the cost of its implementation as incorporated in the related bid document if any, with adequate public consultation for each Subproject, in accordance with the EARF and the Safeguard Policy Statement, shall be submitted to ADB for review and approval before award of any related contract; for any Subproject classified as A, this shall be subject to the 120 day public disclosure requirement under the Safeguard Policy Statement;

(d) if there are any changes in specific locations or alignments of any Subproject facilities after completion of the IEE (or EIA) or due to detailed design or implementation that has an impact on the environmental assessment carried out thus far, then additional environmental assessment shall be carried out in accordance with environmental laws and regulations of the Borrower and the State, the Safeguard Policy Statement, and the EARF, and prior approval of ADB obtained before further physical implementation of the Subproject; and

(e) all sewerage and sanitation Subprojects involving a sewage treatment plant under the Project shall be designed and implemented such that they include adequate effluent channels and a laboratory facility for effective monitoring of sewage treatment.

17. Land Acquisition, Resettlement. The State through LSGO shall ensure that (a) involuntary resettlement and land acquisition will be carried out in compliance with the applicable laws and regulations of the Borrower, the State, the Safeguard Policy Statement and the RF; and to the extent possible, Subprojects will avoid and/or minimize land acquisition or involuntary resettlement; however, if land acquisition and/or involuntary resettlement are required for any Subproject, following actions will be ensured: the RPs and revised RPs based on detailed designs will be prepared, submitted to ADB for review and clearance prior to award of relevant contract(s), and disclosed to the public in accordance with the Safeguard Policy Statement; (b) sufficient funds to cover the costs of land acquisition and involuntary resettlement are made available in a timely manner and all land, rights of way and other land related rights required for the subprojects are acquired or made available in a timely manner; (c) all affected persons are compensated and/or resettled in accordance with the Borrower’s and State’s laws and regulations and the RP before physical or economic displacement occurs; (d) ensure that efficient grievance redress mechanisms are in place in accordance with the related RP to assist affected persons resolve queries and complaints if any, in a timely manner; and (e) implementation of RPs will be reported in the quarterly progress reports.

18. Indigenous Peoples. The State through LSGO shall ensure that all Subprojects will, as far as possible, have a minimal impact on indigenous peoples. If any impact is anticipated, the State will ensure that an IPP or integration of specific actions for the indigenous people in the RP is prepared in accordance with the Safeguard Policy Statement and the IPP and that the same is further (i) approved by ADB before award of related civil works contract, and (ii) implemented before commencement of related civil works contract and that the Subprojects shall further comply with related laws and regulations of the Borrower and State as agreed upon among the Borrower, State, and ADB.
19. Gender and Development: The State through LSGD shall ensure that Subprojects shall comply with and incorporate measures in accordance with applicable laws, policies and regulations on gender, the Policy on Gender and Development, and the Gender Action Plan.

Labor Law, Health and Social Protection

20. The State through LSGD will ensure that civil works contracts and bidding documents under the Project follow all applicable labor laws of the Borrower and the State and that these further include specific provisions to the effect that the contractors (i) carry out HIV/AIDS awareness programs for labor and disseminate information at work sites on risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction, and (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. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

21. If any Project related facilities are located within the premises of a public school, the State through LSGD shall ensure that the concerned ULB shall construct and/or rehabilitate the existing toilet facilities with separate and adequate provision for female and male students.

Procurement

22. The Borrower, the State through LSGD, the IPMU and IPIUs shall ensure that in all bidding documents and contracts, the anti-corruption provisions mutually acceptable to ADB and the state acting through LSGD, are included including 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.

Grievance Redress and Project Website

23. Within 3 months after the Effective Date, the State shall ensure that IPMU shall expand the website established for the Facility projects 1 and 2 to accommodate the Project and to disclose information about Project activities and procurement as set out in detail in the PAM.

24. Within 3 months after the Effective Date, the IPMU shall prepare a grievance redress mechanism acceptable to ADB, and ensure that there is appointed an officer, with the requisite capacity, in each IPIU to receive, resolve or act upon, all independently and expeditiously, complaints, grievances or reports from stakeholders on misuse of funds and other irregularities relating to the Project or the specific Subprojects in the concerned ULBs, including but not limited to grievances due to resettlement. Each IPIU shall inform stakeholders of their right to submit complaints or grievances relating in the Project.

25. The relevant Vigilance Commission may investigate any irregularities in the Project. This includes financial irregularities, as well as corruption of government officials and officers and employees of autonomous bodies.