

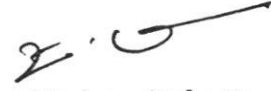
**ಕರ್ನಾಟಕ ವಿಧಾನ ಪರಿಷತ್ತು**

ಚುಕ್ಕೆ ಗುರುತಿಲ್ಲದ ಪ್ರಶ್ನೆ ಸಂಖ್ಯೆ : 183  
 ಮಾನ್ಯ ಸದಸ್ಯರ ಹೆಸರು : ಶ್ರೀ. ಕೆ.ಎ ತಿಪ್ಪೇಸ್ವಾಮಿ (ನಾಮನಿರ್ದೇಶನ ಹೊಂದಿದವರು)  
 ಉತ್ತರಿಸುವ ದಿನಾಂಕ : 14-02-2024  
 ಉತ್ತರಿಸುವ ಸಚಿವರು : ಲೋಕೋಪಯೋಗಿ ಸಚಿವರು

ಕ್ರ.ಸಂ	ಪ್ರಶ್ನೆ	ಉತ್ತರ																	
ಅ)	ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹೆದ್ದಾರಿ ಅಭಿವೃದ್ಧಿ ಯೋಜನೆ-III ರ ಅಡಿಯಲ್ಲಿ ಕೈಗೊಂಡಿರುವ ರಸ್ತೆ ಅಭಿವೃದ್ಧಿ ಕಾಮಗಾರಿಗಳು ಯಾವುವು; ಈ ಕಾಮಗಾರಿಗಳ ಅಂದಾಜು ಮೊತ್ತವೆಷ್ಟು;	<p>ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹೆದ್ದಾರಿ ಅಭಿವೃದ್ಧಿ ಯೋಜನೆ-III ರ ಅಡಿಯಲ್ಲಿ ಕೈಗೊಂಡಿರುವ ರಸ್ತೆ ಅಭಿವೃದ್ಧಿ ಕಾಮಗಾರಿಗಳ ವಿವರಗಳು ಈ ಕೆಳಕಂಡಂತಿದೆ.</p> <table border="1"> <thead> <tr> <th>ಪ್ಯಾಕೇಜ್ ನಂ.</th> <th>ಪ್ಯಾಕೇಜ್ ಹೆಸರು</th> <th>ಅಂದಾಜು ಮೊತ್ತ (ರೂ.ಕೋಟಿಗಳಲ್ಲಿ)</th> </tr> </thead> <tbody> <tr> <td rowspan="3">ಪ್ಯಾಕೇಜ್ - 1</td> <td>ಎ) ಕೊಳ್ಳೆಗಾಲದಿಂದ-ಹನೂರುವರೆಗೆ (23.80 ಕಿ.ಮೀ.)</td> <td rowspan="3">895.00</td> </tr> <tr> <td>ಬಿ)ಚಿಂತಮಣಿಯಿಂದ-ಆಂಧ್ರಪ್ರದೇಶದ ಗಡಿವರೆಗೆ (39.80 ಕಿ.ಮೀ.)</td> </tr> <tr> <td>ಸಿ) ಬೆಂಗಳೂರಿನಿಂದ (ನೈಸ್ ರಸ್ತೆ)-ಮಾಗಡಿವರೆಗೆ (50.70 ಕಿ.ಮೀ.)</td> </tr> <tr> <td>ಪ್ಯಾಕೇಜ್ - 2</td> <td>ಮಾಗಡಿಯಿಂದ-ಸೋಮವಾರಪೇಟೆ ಹತ್ತಿರದ ವರೆಗೆ (166.00 ಕಿ.ಮೀ)</td> <td>998.00</td> </tr> <tr> <td>ಪ್ಯಾಕೇಜ್ - 3.</td> <td>ಗದಗದಿಂದ-ಹೊನ್ನಾಳಿವರೆಗೆ (138.20 ಕಿ.ಮೀ.)</td> <td>805.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><b>ಒಟ್ಟು</b></td> <td><b>2,698.00</b></td> </tr> </tbody> </table>	ಪ್ಯಾಕೇಜ್ ನಂ.	ಪ್ಯಾಕೇಜ್ ಹೆಸರು	ಅಂದಾಜು ಮೊತ್ತ (ರೂ.ಕೋಟಿಗಳಲ್ಲಿ)	ಪ್ಯಾಕೇಜ್ - 1	ಎ) ಕೊಳ್ಳೆಗಾಲದಿಂದ-ಹನೂರುವರೆಗೆ (23.80 ಕಿ.ಮೀ.)	895.00	ಬಿ)ಚಿಂತಮಣಿಯಿಂದ-ಆಂಧ್ರಪ್ರದೇಶದ ಗಡಿವರೆಗೆ (39.80 ಕಿ.ಮೀ.)	ಸಿ) ಬೆಂಗಳೂರಿನಿಂದ (ನೈಸ್ ರಸ್ತೆ)-ಮಾಗಡಿವರೆಗೆ (50.70 ಕಿ.ಮೀ.)	ಪ್ಯಾಕೇಜ್ - 2	ಮಾಗಡಿಯಿಂದ-ಸೋಮವಾರಪೇಟೆ ಹತ್ತಿರದ ವರೆಗೆ (166.00 ಕಿ.ಮೀ)	998.00	ಪ್ಯಾಕೇಜ್ - 3.	ಗದಗದಿಂದ-ಹೊನ್ನಾಳಿವರೆಗೆ (138.20 ಕಿ.ಮೀ.)	805.00	<b>ಒಟ್ಟು</b>		<b>2,698.00</b>
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ಆ)	ಈ ಕಾಮಗಾರಿಗಳನ್ನು ಅನುಷ್ಠಾನಗೊಳಿಸಲು ಯಾವ ಮೂಲದಿಂದ ಆರ್ಥಿಕ ನೆರವು ಪಡೆಯಲಾಗಿದೆ ಹಾಗೂ ಈ ಆರ್ಥಿಕ ನೆರವಿನ ನಿಬಂಧನೆಗಳು ಯಾವುವು ಮತ್ತು ಈ ನಿಬಂಧನೆಗಳಿಗೆ ಕೇಂದ್ರ-ರಾಜ್ಯ ಸರ್ಕಾರಗಳ ನಡುವಿನ ಒಪ್ಪಂದಗಳು ಯಾವುವು;	<p>ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹೆದ್ದಾರಿ ಅಭಿವೃದ್ಧಿ ಯೋಜನೆ-III ರ ಕಾಮಗಾರಿಗಳ ಅನುಷ್ಠಾನಕ್ಕಾಗಿ ಏಷಿಯನ್ ಅಭಿವೃದ್ಧಿ ಬ್ಯಾಂಕ್ (ಎಡಿಬಿ) ವತಿಯಿಂದ 346 ಮಿಲಿಯನ್ ಯುಎಸ್ ಡಾಲರ್ (346 Million USD) ಆರ್ಥಿಕ ನೆರವು ಪಡೆಯಲಾಗಿದೆ. ರಾಜ್ಯ ಸರ್ಕಾರದ ವತಿಯಿಂದ ಈ ಯೋಜನೆಗೆ ದಿನಾಂಕ: 28.12.2017 ರಂದು ಆಡಳಿತಾತ್ಮಕ ಅನುಮೋದನೆ ನೀಡಲಾಗಿದ್ದು, ಈ ಯೋಜನೆಗಾಗಿ ದಿನಾಂಕ: 30.08.2018 ರಂದು ಏಷಿಯನ್ ಅಭಿವೃದ್ಧಿ ಬ್ಯಾಂಕ್, ಕೇಂದ್ರ ಸರ್ಕಾರ (DEA) ಮತ್ತು ರಾಜ್ಯ ಸರ್ಕಾರಗಳ ನಡುವೆ ಸಾಲ ಒಪ್ಪಂದ (Loan Agreement and Project Agreement) ನಿರ್ವಹಿಸಲಾಗಿದೆ. ಸದರಿ ಒಪ್ಪಂದವನ್ನು ಪ್ರಾಜೆಕ್ಟ್ ಅಡ್ಮಿನಿಸ್ಟ್ರೇಷನ್ ಮಾನ್ಯೂಯಲ್ (Project Administration Manual) ರ ಅನುಸಾರ ನಿರ್ವಹಿಸಲಾಗುತ್ತಿದೆ. ವಿವರಗಳನ್ನು ಅನುಬಂಧ-1ರಲ್ಲಿ ಲಗತ್ತಿಸಿದೆ.</p>																	

ಇ)	<p>ಈ ಕಾಮಗಾರಿಗಳ ಅನುಷ್ಠಾನ ಯಾವ ಹಂತದಲ್ಲಿವೆ ಮತ್ತು ಈ ಕಾಮಗಾರಿಗಳನ್ನು ನಿರ್ವಹಿಸುತ್ತಿರುವ ಗುತ್ತಿಗೆದಾರರ ಮತ್ತು ರಾಜ್ಯ ಸರ್ಕಾರದ ನಡುವಿನ ಕರಾರುಗಳು/ನಿಬಂಧನೆಗಳು ಯಾವುವು; (ಪೂರ್ಣ ಮಾಹಿತಿ ನೀಡುವುದು)</p>	<p>ಪ್ಯಾಕೇಜ್-1, 2 &amp; 3 ರ ಕಾಮಗಾರಿಗಳು ವಿವಿಧ ಹಂತದಲ್ಲಿ ಪ್ರಗತಿಯಲ್ಲಿದ್ದು, ಈಗಾಗಲೇ ಶೇ.80 ರಷ್ಟು ಕಾಮಗಾರಿ ಪೂರ್ಣಗೊಂಡಿರುತ್ತದೆ. ಸದರಿ ಕಾಮಗಾರಿಗಳಿಗೆ Hybrid Annuity Model (HAM) ಆಧಾರದ ಮೇಲೆ ಟೆಂಡರ್ ಆಹ್ವಾನಿಸಿ, ಕಾಮಗಾರಿಯನ್ನು ಗುತ್ತಿಗೆದಾರರಿಗೆ Concession Agreement ಮೂಲಕ ಕಾಮಗಾರಿ ವಹಿಸಲಾಗಿರುತ್ತದೆ. ರಾಜ್ಯ ಸರ್ಕಾರ ಹಾಗೂ ಗುತ್ತಿಗೆದಾರರೊಂದಿಗೆ ನಡುವಿನ ಕರಾರಿನನ್ವಯ 2 ವರ್ಷಗಳ ನಿರ್ಮಾಣ ಅವಧಿ ಮತ್ತು 7 ವರ್ಷಗಳ ನಿರ್ವಹಣಾ ಅವಧಿ ಇರುತ್ತದೆ. ಈ ಕರಾರಿನನ್ವಯ ಬಿಡ್ ಪ್ರಾಜೆಕ್ಟ್ ಮೊತ್ತ ಹಾಗೂ ಅಂದಾಜು ಮೊತ್ತದಲ್ಲಿ ಕಡಿಮೆ ಇರುವ ಮೊತ್ತವನ್ನು ಪರಿಗಣಿಸಿ ಮೈಲ್‌ಸ್ಟೋನ್ ಆಧಾರದ ಮೇಲೆ ಕಡಿಮೆ ಇರುವ ಮೊತ್ತದ ಶೇ.75 ಅನ್ನು ನಿರ್ಮಾಣ ಅವಧಿಯಲ್ಲಿ ಪಾವತಿಸಲಾಗುತ್ತದೆ.</p> <p>ಕಾಮಗಾರಿ ಪೂರ್ಣಗೊಂಡ ನಂತರ, ಕಾಮಗಾರಿಯ ಪೂರ್ಣ ಮೊತ್ತವನ್ನು (Completion Cost as per Article 23 of Concession Agreement) ಲೆಕ್ಕ ಹಾಕಿ, ಮೇಲೆ ವಿವರಿಸಿದಂತೆ, ನಿರ್ಮಾಣ ಹಂತದಲ್ಲಿ ಪಾವತಿಸಿದ ಮೊತ್ತವನ್ನು ಹೊರತುಪಡಿಸಿ ಉಳಿದ ಮೊತ್ತವನ್ನು ಆನ್ಯೂಟಿ, ಬಡ್ಡಿ ಹಾಗೂ ನಿರ್ವಹಣಾ ವೆಚ್ಚದೊಂದಿಗೆ 14 ದ್ವೈವಾರ್ಷಿಕ (14 bi-annual installment) ವರ್ಷಾಸನದೊಂದಿಗೆ ಪಾವತಿಸಲಾಗುವುದು. Article 23 of Concession Agreement ಪ್ರತಿಯನ್ನು ಅನುಬಂಧ-2 ರಲ್ಲಿ ಲಗತ್ತಿಸಿದೆ.</p>																													
ಈ)	<p>ಈ ಕಾಮಗಾರಿಗಳ ಅನುಷ್ಠಾನ ಯಾವ ಹಂತದಲ್ಲಿವೆ, ಭೌತಿಕ ಮತ್ತು ಆರ್ಥಿಕ ಗುರಿ ಮತ್ತು ಪ್ರಗತಿ ಒಳಗೊಂಡಂತೆ ಪೂರ್ಣ ಮಾಹಿತಿ ನೀಡುವುದು?</p>	<p>ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹೆದ್ದಾರಿ ಅಭಿವೃದ್ಧಿ ಯೋಜನೆ-IIIರ ಕಾಮಗಾರಿಗಳ ಭೌತಿಕ ಮತ್ತು ಆರ್ಥಿಕ ಗುರಿ ಮತ್ತು ಪ್ರಗತಿ ವಿವರಗಳು ಈ ಕೆಳಕಂಡಂತಿದೆ.</p> <table border="1" data-bbox="813 1258 1444 1689"> <thead> <tr> <th rowspan="2">ಪ್ಯಾಕೇಜ್ ನಂ.</th> <th colspan="2">ಭೌತಿಕ (ಉದ್ದ-ಕಿ.ಮೀ)</th> <th colspan="2">ಆರ್ಥಿಕ (ರೂ.ಕೋಟಿಗಳಲ್ಲಿ)</th> </tr> <tr> <th>ಗುರಿ</th> <th>ಸಾಧನೆ</th> <th>ಬಿಡ್ ಪ್ರಾಜೆಕ್ಟ್ ಮೊತ್ತ *</th> <th>ವೆಚ್ಚ</th> </tr> </thead> <tbody> <tr> <td>ಪ್ಯಾಕೇಜ್-1</td> <td>114.30</td> <td>87.05</td> <td>1062.00</td> <td>504.10</td> </tr> <tr> <td>ಪ್ಯಾಕೇಜ್-2</td> <td>166.00</td> <td>133.69</td> <td>1144.50</td> <td>662.99</td> </tr> <tr> <td>ಪ್ಯಾಕೇಜ್-3</td> <td>138.20</td> <td>112.63</td> <td>995.00</td> <td>503.75</td> </tr> <tr> <td><b>ಒಟ್ಟು</b></td> <td><b>418.50</b></td> <td><b>333.37</b></td> <td><b>3201.50</b></td> <td><b>1670.84</b></td> </tr> </tbody> </table> <p>*ವೈಸ್ ಎಸ್‌ಲೇಷನ್, ಇಂಟರೆಸ್ಟ್ ಮತ್ತು ಓ ಅಂಡ್ ಎಂ ಮೊತ್ತ ಹೊರತುಪಡಿಸಿ.</p>	ಪ್ಯಾಕೇಜ್ ನಂ.	ಭೌತಿಕ (ಉದ್ದ-ಕಿ.ಮೀ)		ಆರ್ಥಿಕ (ರೂ.ಕೋಟಿಗಳಲ್ಲಿ)		ಗುರಿ	ಸಾಧನೆ	ಬಿಡ್ ಪ್ರಾಜೆಕ್ಟ್ ಮೊತ್ತ *	ವೆಚ್ಚ	ಪ್ಯಾಕೇಜ್-1	114.30	87.05	1062.00	504.10	ಪ್ಯಾಕೇಜ್-2	166.00	133.69	1144.50	662.99	ಪ್ಯಾಕೇಜ್-3	138.20	112.63	995.00	503.75	<b>ಒಟ್ಟು</b>	<b>418.50</b>	<b>333.37</b>	<b>3201.50</b>	<b>1670.84</b>
ಪ್ಯಾಕೇಜ್ ನಂ.	ಭೌತಿಕ (ಉದ್ದ-ಕಿ.ಮೀ)			ಆರ್ಥಿಕ (ರೂ.ಕೋಟಿಗಳಲ್ಲಿ)																											
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ಸಂಖ್ಯೆ. ಲೋಇ E-31 ಇಎಪಿ 2024

  
 (ಸತೀಶ್ ಜಾರಕಿಹೊಳೆ)  
 ಲೋಕೋಪಯೋಗಿ ಸಚಿವರು

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LOAN NUMBER 3619 - IND

LOAN AGREEMENT  
(Ordinary Operations)

(Karnataka State Highways Improvement III Project)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 30 August 2018

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IND 42513

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 30 August 2018 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 Karnataka acting through its Public Works, Ports, and Inland Water Transport Department ("Project Executing Agency"), and for this purpose the Borrower will make available to the State the proceeds of the Loan provided for herein upon terms and conditions mutually satisfactory to ADB and the Borrower; and

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

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, 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) "EMP" means each environmental management plan for the five roads under the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency and cleared by ADB;

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

(e) "Financing Arrangements" means the arrangements between the Borrower and the State as per current policy of the Borrower, and acceptable to ADB;

(f) "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;

(g) "IEC" means Independent Engineering Consultants;

(h) "IEE" means each initial environmental examination for the five roads under the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency, and cleared by ADB;

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

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

(k) "IPP" means each indigenous peoples plan for the five roads under the Project, including any update thereto, to be prepared and submitted by the Borrower through the Project Executing Agency, and to be cleared by ADB;

(l) "KPWD" means the Karnataka Public Works, Ports, and Inland Water Transport Department or any successor thereto;

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);

(n) "PAM" means the Project administration manual for the Project dated October 2017 and agreed between the Borrower, ADB, and the Project Executing Agency, as updated from time to time;

(o) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(p) "Procurement Plan" means the procurement plan for the Project dated October 2017 as agreed between the Borrower through the Project Executing Agency, and ADB and included in the PAM, including as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the State acting through the KPWD or any successor thereto, which is responsible for the carrying out of the Project;

(r) "RP" means each resettlement plan for the five roads under the Project, including any update thereto, prepared and submitted by the Borrower through the Project Executing Agency, and cleared by ADB;

(s) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower through the Project Executing Agency to ADB that describes progress with implementation of, and compliance with, the respective EMPs, the RPs and the IPPs (as applicable), including any corrective and preventative actions;

(t) "SPS" means ADB's Safeguard Policy Statement (2009);

(u) "State" means the State of Karnataka; and

(v) "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 three hundred and forty six million Dollar (\$346,000,000) 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:

(a) LIBOR;

(b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and

(c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

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

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 01 June and 01 December 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 to facilitate prudent debt management:

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

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

### **ARTICLE III**

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

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

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall ensure, or cause the Project Executing Agency to ensure, that the items of expenditure to be

financed out of the proceeds of the Loan are in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2024 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

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

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

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

Section 4.04. The Borrower shall ensure or cause the State to ensure to take all actions which shall be necessary on its part to enable the Project Executing Agency to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) In so far as it relates to the Project, the Borrower shall exercise its rights under the Financing Arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

## **ARTICLE V**

### **Effectiveness**

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



**ARTICLE VI**

**Miscellaneous**

Section 6.01. The Secretary, Additional Secretary, Joint Secretary, Director, or Deputy Secretary, in the Department of Economic Affairs of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

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

For the Borrower

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

Facsimile Number:

91-11-23094075

For ADB

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

Facsimile Numbers:

(632) 636-2444

(632) 636-2340

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

INDIA

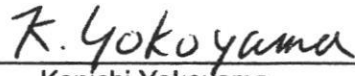
By



\_\_\_\_\_  
Sameer Kumar Khare  
Joint Secretary (FB & ADB)  
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By



\_\_\_\_\_  
Kenichi Yokoyama  
Country Director

## **SCHEDULE 1**

### **Description of the Project**

1. The objective of the Project is to support the State in improved road transport efficiency and safety.
2. The Project shall comprise the following: (i) about 419 km of State highways, designed to standard specifications of two-lane with paved shoulders or to four lanes, depending on traffic volumes, upgraded (the contracts will include 7-year performance based maintenance obligations under a hybrid annuity structure), (ii) road safety audit conducted on all the State highways in the core road network to identify critical accident spots and suitable measures to improve these accident spots implemented, and (iii) institutional capacity and efficiency of KPWD improved.
3. The Project includes Consulting Services to assist the Project Executing Agency in Project Management.
4. The Project is expected to be completed by 31 December 2023.

## SCHEDULE 2

### Amortization Schedule

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

Sequence	Date Payment Due	Installment Share (Expressed as a %)
1	1 June 2023	2.500000
2	1 December 2023	2.500000
3	1 June 2024	2.500000
4	1 December 2024	2.500000
5	1 June 2025	2.500000
6	1 December 2025	2.500000
7	1 June 2026	2.500000
8	1 December 2026	2.500000
9	1 June 2027	2.500000
10	1 December 2027	2.500000
11	1 June 2028	2.500000
12	1 December 2028	2.500000
13	1 June 2029	2.500000
14	1 December 2029	2.500000
15	1 June 2030	2.500000
16	1 December 2030	2.500000
17	1 June 2031	2.500000
18	1 December 2031	2.500000
19	1 June 2032	2.500000
20	1 December 2032	2.500000
21	1 June 2033	2.500000
22	1 December 2033	2.500000
23	1 June 2034	2.500000
24	1 December 2034	2.500000
25	1 June 2035	2.500000
26	1 December 2035	2.500000
27	1 June 2036	2.500000
28	1 December 2036	2.500000
29	1 June 2037	2.500000
30	1 December 2037	2.500000
31	1 June 2038	2.500000

## Schedule 2

Sequence	Date Payment Due	Installment Share (Expressed as a %)
32	1 December 2038	2.500000
33	1 June 2039	2.500000
34	1 December 2039	2.500000
35	1 June 2040	2.500000
36	1 December 2040	2.500000
37	1 June 2041	2.500000
38	1 December 2041	2.500000
39	1 June 2042	2.500000
40	1 December 2042	2.500000
	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.

Schedule 2

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

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

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

##### Basis for Withdrawal from the Loan Account

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

##### Reallocation

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

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with and notice to the Borrower, and the Project Executing Agency, (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 notice to the Borrower and the Project Executing Agency reallocate such excess amount to any other Category.

##### Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between ADB and the Borrower.

##### Retroactive Financing

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

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$) Category</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Works	307,000,000	75% of total expenditure claimed
2	Road Safety Component	12,000,000	100% of total expenditure claimed
3	Consulting Services	14,000,000	50% of total expenditure claimed for IEC and 100% of total expenditure claimed for other consultants
4	Unallocated	13,000,000	
	<b>Total</b>	<b>346,000,000</b>	



## SCHEDULE 4

### Procurement of Goods, Works and Consulting Services

#### General

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

#### Goods and Works

4. Goods and Works shall be procured based on the following procurement methods:
  - (a) International Competitive Bidding; and
  - (b) National Competitive Bidding.

#### Domestic Preference

5. The Project Executing Agency may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

#### National Competitive Bidding

6. The Project Executing Agency's standard bidding documents and procurement procedures, as in use by the Project Executing Agency were reviewed by ADB. These were found consistent with ADB's requirements, and shall apply to the Project. Modifications, if any, to such bidding documents will be subject to mutual agreement between the Borrower, the EA and ADB.

#### Conditions for Award of Contract

7. The Borrower shall ensure or cause the Project Executing Agency to ensure that it shall not award any Works contracts for any part of the Project that involves environment impacts until the Project Executing Agency has:
  - (a) prepared, submitted and obtained final approval of the respective IEE from ADB and the relevant environment authority of the Borrower; and

Schedule 4

- (b) incorporated the relevant provisions from the respective EMP into the related Works contract.

8. The Borrower shall ensure or cause the Project Executing Agency to ensure that it shall not award any Works contract that involves involuntary resettlement impacts for any part of the Project until the Project Executing Agency has prepared, submitted and obtained clearance of ADB, of the respective final RP for such part of the Project based on its detailed design.

9. The Borrower shall ensure or cause the Project Executing Agency to ensure that it shall not award any Works contract that involves indigenous peoples impact for any part of the Project until the Project Executing Agency has prepared, submitted and obtained clearance of ADB, of the respective final IPP for such part of the Project.

Consulting Services

10. Except as ADB may otherwise agree and as set forth in the Procurement Plan, the Borrower shall ensure or cause the Project Executing Agency to ensure to apply Quality- and Cost-Based Selection for Consulting Services.

Industrial or Intellectual Property Rights

11. (a) The Borrower shall ensure or cause the Project Executing Agency 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 ensure or cause the Project Executing Agency 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.

12. The Borrower shall ensure or cause the Project Executing Agency 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.

ADB's Review of Procurement Decisions

13. 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 Project Executing Agency, and ADB and set forth in the Procurement Plan.

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

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

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

(b) The Borrower shall ensure or cause the Project Executing Agency to ensure compliance with all the requirements and obligations in its part as included in this Loan Agreement and the Project Agreement to meet the objectives of the Project in a timely and efficient manner.

SafeguardsEnvironment

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

Land Acquisition and Involuntary Resettlement

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

5. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the respective RP, the Borrower shall ensure or cause the Project Executing Agency to ensure, that no physical or economic displacement takes place in connection with the Project until:

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

Schedule 5

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

Indigenous Peoples

6. In the event of any impacts of indigenous peoples under the Project, the Borrower shall ensure or cause the Project Executing Agency to ensure, that the preparation, design, construction, implementation and operation of the Project, and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the respective IPP and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

7. The Borrower shall ensure or cause the Project Executing Agency to ensure that all necessary budgetary and human resources to fully implement the respective EMPs, the RPs and the IPPs as required, are made available.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall ensure or cause the Project Executing Agency to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

(a) comply with the measures and requirements relevant to the contractor set forth in the respective IEE, EMP, RP and 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 the Project Executing Agency with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the respective IEE, EMP, RP and/or IPP;

(d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting transport materials and construction; and

(e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon completion of construction.

#### Safeguards Monitoring and Reporting

9. The Borrower shall ensure or cause the Project Executing Agency to ensure the following:

(a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;

(b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in any respective IEE, EMP, RP or IPP (as applicable), promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;

(c) within no later than 90 days of the Effective Date, engage qualified and experienced external expert or qualified non-government organization under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process for resettlement, environment, and indigenous peoples (if any), and facilitate the carrying out of any verification activities by such external expert; and

(d) report any breach of compliance with the measures and requirements set forth in any respective EMP, RP or IPP promptly after becoming aware of the breach.

#### Prohibited List of Investments

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

#### Labor Standards

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

#### Gender and Development

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

Procurement

13. The Borrower shall ensure or cause the Project Executing Agency to ensure that the anticorruption provisions acceptable to ADB, the Borrower, the State and Project Executing Agency are included in all bidding documents and contracts financed by ADB in connection with the Project, including provisions specifying the right of ADB to review and examine the records and accounts of the Project Executing Agency and all contractors, suppliers, consultants, and other service providers as they relate to the Project and Subprojects. The Borrower, the Project Executing Agency shall allow and assist ADB's representatives to carry out random spot checks on the work in progress and utilization of funds for the Project.

14. The Borrower shall ensure or cause the Project Executing Agency to announce the Project and business opportunities (i.e., invitation of potential bids) associated with the Project on its website. The website shall disclose the following information in relation to goods and services procured for the Project and Subprojects: (a) the list of participating bidders, (b) the name of the selected bidder, (c) the amount of the contracts awarded, and (d) the goods and services procured. In accordance with the Procurement Guidelines, the published information for international competitive bidding contracts shall also include the bid prices as read out at bid opening, the reasons for rejection of unsuccessful bidders, and the duration of the awarded contract.

Governance and Anticorruption

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

Counterpart Support

16. (a) The Borrower shall ensure or cause the Project Executing Agency to ensure to provide, as necessary, respective counterpart staff, land facilities, and counterpart funding for the Project in accordance with the financing plan, cost of making land available and assistance, and implementation and monitoring of respective EMPs, RPs and IPPs (including unforeseen expenses beyond the estimates), utility shifting, operations and maintenance of Project facilities, and general Project management expenses in a timely manner through approved annual budget allocations.

(b) In addition to the foregoing, the Borrower shall ensure or cause the Project Executing Agency to ensure that it has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Consulting Services contract.

Facilities Maintenance

17. The Borrower shall ensure or cause the State to ensure timely and adequate funds to the Project Executing Agency for maintenance of the facilities created under the Project.

Communications and Participation

18. The Borrower shall ensure or cause the Project Executing Agency to ensure that the Project is undertaken in conformity with the stakeholder communication strategy as agreed between ADB, the Borrower, and the Project Executing Agency and referred in the PAM.

Road Safety

19. The Borrower shall ensure or cause the Project Executing Agency to ensure that community awareness campaigns about road safety shall be carried out along the road corridors. The social experts from the IEC shall monitor the implementation.

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LOAN NUMBER 3619 - IND

PROJECT AGREEMENT  
(Karnataka State Highways Improvement III Project)

between

ASIAN DEVELOPMENT BANK

and

STATE OF KARNATAKA

DATED 30 August 2018

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IND 42513



## PROJECT AGREEMENT

PROJECT AGREEMENT dated 30 August 2018 between ASIAN DEVELOPMENT BANK ("ADB") and State of Karnataka acting by its Governor ("the State").

### WHEREAS

(A) by a Loan Agreement of even date herewith between India ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of three hundred and forty six million Dollars (\$346,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available the State and that the State agrees to undertake certain obligations towards ADB set forth herein; and

(B) the State, in consideration of ADB entering the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

### Definitions

Section 1.01. (a) Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Particular Covenants

Section 2.01. (a) The State shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the State shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to the State, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. The State shall make available, promptly as needed, and on terms and conditions mutually acceptable to ADB and the Borrower, 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 2.03. (a) In the carrying out of the Project, the State shall engage competent and qualified consultants and contractors, consistent with ADB's procurement and consulting services, to an extent and upon terms and conditions mutually satisfactory to ADB and the Borrower.

(b) Except as ADB and the Borrower may otherwise agree, the State shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the 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 2.04. The State shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods mutually acceptable to ADB and the Borrower. The State shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) The State shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts, as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the State undertakes to insure, or cause to be insured, the Goods to be procured including imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. The State shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and the State shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The State shall promptly inform ADB through the Borrower of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the Financing Arrangements, or the accomplishment of the purposes of the Loan.

(c) ADB and the State shall from time to time, at the request of either party, exchange views through their representatives regarding any matters relating to the Project, the State, and the Loan.

Section 2.08. (a) In so far as it relates to the Project, the State shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial status of the State and KPWD; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the State shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event, not later than 3 months thereafter or such later date as ADB may agree for this purpose, the State shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the State of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) The State shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards prevalent in the country; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

(c) The State shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the State and its financial affairs where they relate to the Project with the auditors appointed by the State pursuant to subsections (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the State, unless the State shall otherwise agree.

Section 2.10. The State shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) The State shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.

(b) In relation to the Project, the State shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) In relation to the Project, the State shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, the State shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, in relation to the Project, the State shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, the State shall duly perform all its obligations under the Loan Agreement and the Financing Arrangements, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Project and the Financing Arrangements.

Section 2.15. The State shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. The State shall afford ADB an adequate opportunity to comment on such proposal in taking any affirmative action thereon.

### **ARTICLE III**

#### **Effective Date; Termination**

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify the State of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

## ARTICLE IV

### Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

#### For ADB

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

Facsimile Numbers:

(632) 636-2444  
(632) 636-2340

#### For the State

Additional Chief Secretary/ Principal Secretary  
Public Works, Ports & Inland Water Transport Department  
#336, 3rd Floor, Vikas Soudha  
Bengaluru – 560001  
Karnataka

Facsimile Number:

0091-80-22034839.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of the State may be taken or executed by its Additional Chief Secretary/Principal Secretary, Public Works, Ports & Inland Water Transport Department or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) The State shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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.

ASIAN DEVELOPMENT BANK

By K. Yokoyama  
Kenichi Yokoyama  
Country Director

STATE OF KARNATAKA

By Naveen Raj Singh  
Naveen Raj Singh  
Chief Project Officer, PIU  
Karnataka State Highways  
Improvement Project (KSHIP)

Appendix 4

# Project Administration Manual

Project Number: 42513-014  
Loan Number: LXXXX  
October 2017

India: Karnataka State Highways  
Improvement III Project

Prkari

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## ABBREVIATIONS

ADB	—	Asian Development Bank
ASI	—	Archeological Survey of India
CAAA	—	controller of aid accounts and audit
CAG	—	Comptroller and Auditor General
CRN	—	core road network
DMF	—	design and monitoring framework
DPR	—	detailed project report
EMOP	—	environmental monitoring plan
EMP	—	environmental management plan
EMPIU	—	Environmental Management Plan Implementation Unit
GOK	—	Government of Karnataka
GRM	—	grievance redress mechanism
ICB	—	international competitive bidding
IEC	—	independent engineering consultant
IEE	—	initial environmental examination
IPP	—	indigenous peoples plan
km	—	kilometer
KPWD	—	Karnataka Public Works, Ports, and Inland Water Transport Department
KSHIP	—	Karnataka State Highways Improvement Project
PIU-KSHIP	—	Project Implementing Unit of Karnataka State Highways Improvement Project
MDR	—	major district road
NCB	—	national competitive bidding
NGO	—	nongovernment organization
PAM	—	project administration manual
PIU	—	project implementation unit
PPP	—	public-private partnership
PPTA	—	project preparatory technical assistance
QCBS	—	quality- and cost-based selection
RP	—	resettlement plan
RRP	—	report and recommendation of the President to the Board
Rs	—	Indian rupees
SDRC	—	social development and resettlement cell
SH	—	state highway
SOE	—	statement of expenditure
SPS	—	Safeguard Policy Statement
TOR	—	terms of reference



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### ABBREVIATIONS

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM ~~should~~ includes references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The State of Karnataka, acting through its Karnataka Public Works, Ports, and Inland Water Transport Department (hereinafter referred to as KPWD) is wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation, including compliance by the KPWD and the Project Implementation Unit of Karnataka State Highways Improvement Project (PIU-KSHIP) of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB ~~have shall~~ agreed to the PAM and ~~ensured~~ consistency with the loan agreement. Such agreement ~~shall is~~ be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

## I. PROJECT DESCRIPTION

1. **State context.** Karnataka state in southwest India has an area of about 192,000 km<sup>2</sup> and a population of about 64 million.<sup>1</sup> Economically, Karnataka is one of India's better-performing states—the per capita net income is about 50% above the national average, and grew at over 10% per year during FY2012 to FY2016.<sup>2</sup> The population density is lower than the national average, and the sex ratio (number of females to males) is 968 per 1,000 males, vs. the national average of 940.<sup>3</sup> The unemployment and poverty rates are also lower than the national averages, and the state receives substantial foreign direct investment (third-highest nationally, after the National Capital Region and Maharashtra).

2. **Transport network.** In terms of transportation, however, the rail network in Karnataka state is rather sparse, with a route of only about 3,000 kilometers (km), mostly on single line. Because of the steep terrain along the western hill range, the east–west rail connectivity is limited to just one line from Hassan in the hinterland to Mangalore on the west coast. The road network is therefore a critical element of the economic infrastructure. Under technical assistance (TA) 7324-IND of the Asian Development Bank (ADB) for the Karnataka State Highway Network Improvement, consultants completed a study for identifying a “core road network” (CRN) in the state, as given in the following table:<sup>4</sup>

**Table 1: Core Road Length**

Administrative Class	Total Kilometers
National Highways (NH)	4,491
State Highways (SH)	18,470
Major District Roads (MDR)	1,265
<b>Total</b>	<b>24,226</b>

3. **Government strategy.** While economic development in Karnataka has been good, it has also been uneven, mainly focused around the capital region of Bengaluru and Mysuru, and the coastal towns of Mangaluru and Udupi. Given its relatively sparse rail network, Karnataka is heavily dependent on its road network for linkage between the rural and urban economies. In its state road policy (2009), the Government of Karnataka (GOK) recognizes the importance of road development as an engine of economic growth and proposes to develop all the state highways to two-lane width.<sup>5</sup> To achieve this objective, the GOK has been using a combination of budgetary, public–private partnership (PPP), World Bank, and ADB financing to improve state roads. In 2001, the first Karnataka State Highways Improvement Project (KSHIP-I) was implemented with the support of the World Bank for \$360 million, addressing about 2,400 km of roads. The second project, KSHIP-II, is ongoing, which covers about 1,800 km of roads and has two parts: a World Bank \$350 million loan approved in 2011 and an ADB \$315 million loan approved in 2010.<sup>6</sup> However, the development of the CRN roads requires further substantial funding estimated at

<sup>1</sup> Government of Karnataka (GOK), Directorate of Economics and Statistics. Bengaluru, 2015. <http://des.kar.nic.in/docs/sip/GSDP%202015-16AE.pdf>.

<sup>2</sup> Government of India, Ministry of Finance. *Economic Survey, 2016–2017*. Available at <http://indiabudget.nic.in/estatvol2.asp>.

<sup>3</sup> Government of India, [http://censusindia.gov.in/2011-prov-results/data\\_files/india/Final\\_PPT\\_2011\\_chapter5.pdf](http://censusindia.gov.in/2011-prov-results/data_files/india/Final_PPT_2011_chapter5.pdf).

<sup>4</sup> Prepared under ADB TA 7324-IND, Technical Assistance for Karnataka State Highway Network Improvement, by consultant M/S Scott Wilson India Pvt. Ltd.

<sup>5</sup> Public Works Department – Karnataka, *Karnataka Road Sector Policy (2009)*. Bengaluru.

<sup>6</sup> ADB. 2010. 42513-013: *Karnataka State Highway Improvement Project*.

\$1.7 billion, and the government has to support this process through a mix of funding sources.

4. **Impact and Outcome.** The impact will be improved mobility and access to economic opportunities, aligned with the Three-Year Action Agenda (2017–2019 to 2019–2020) of the Government of India. The outcome will be improved road transport efficiency and safety in Karnataka state.

#### 5. Outputs

- (i) **Output 1: State highways upgraded.** At least 418 km of state highways upgraded under hybrid annuity contracts and designed to standard specifications of two lanes with paved shoulders or four lanes, depending on traffic volumes. Contracts will include 7-year performance-based maintenance obligations under a hybrid annuity contract structure. Under this format, 75% of the estimated cost of the project will be paid during the construction period at specified milestones. The balance of 25%, as well as costs of operations and maintenance during the 7-year post-construction period, will be paid as “semi-annuity” payments on meeting the road availability and performance parameters.
- (ii) **Output 2: Road safety measures on state highways installed.** Road safety audit conducted on all state highways in the CRN to identify critical accident spots, with suitable measures implemented to improve these accident spots. Accident mitigation measures are to be implemented for at least 12 identified accident spots.
- (iii) **Output 3: Institutional capacity and efficiency of the Karnataka Public Works, Ports, and Inland Water Transport Department improved.** ISO 9001:2015 (quality management system) and ISO 14001:2015 (environmental management system) certifications will be processed for the division and sub-division levels in KPWD, across Karnataka. For the project, a public response system and a complaint handling mechanism will be instituted.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Table 2: Indicative Action Timeline

Indicative Activities	Months								Responsible Individual/Unit/ Agency/ Government
	June/ Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2017 8	Feb 2018	Mar 2018	
Advance contracting actions	X								PIU-KSHIP
Land acquisition and R&R actions	X								PIU-KSHIP
Retroactive financing actions								X	PIU-KSHIP
Establish project implementation arrangements				X					PIU-KSHIP
ADB Board approval					X				ADB
Loan signing						X	X		Government/ ADB

Indicative Activities	Months								Responsible Individual/Unit/ Agency/ Government
	June/ Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2017 8	Feb 2018	Mar 2018	
Government legal opinion provided						X	X		Government/ ADB
Government budget inclusion		X							Government (ongoing)
Loan effectiveness							X	X	Government/ ADB

ADB = Asian Development Bank, PIU-KSHIP = Project Implementation Unit of Karnataka State Highways Improvement Project, R&R = resettlement and rehabilitation.

Source: Asian Development Bank.

B. Overall Project Implementation Plan

Table 3: Gantt Chart of Implementation Activities

		2017				2018				2019				2020				2021				2022				2023																							
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
<b>A. DMF Activities</b>																																																	
<b>1. Output 1 - State Highways Upgraded</b>																																																	
	1.1. Land acquisition and R&R actions																																																
	1.2. Award and Mobilize Independent Engineering Consultants																																																
	1.3. Award Contracts for About 400 Km of SHs																																																
	1.4. Construction of SHs																																																
<b>2. Output 2 - Road Safety Improved</b>																																																	
	2.1. Conduct road safety audit																																																
	2.2. Implement safety actions																																																
<b>B. Management Activities</b>																																																	
	Procurement plan key activities to procure contract packages																																																
	Consultant selection procedures																																																
	Environment management plan key activities																																																
	Mid-term review																																																
	Project completion report																																																

DMF = design and monitoring framework, k = kilometer, R&R = resettlement and rehabilitation, SHs = state highways.  
 Source: Asian Development Bank.

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### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations: Roles and Responsibilities

**Table 4: Implementation Roles and Responsibilities**

<b>Project Implementation Organizations</b>	<b>Management Roles and Responsibilities</b>
Kamataka Public Works, Ports, and Inland Water Transport Department (KPWD)	<ul style="list-style-type: none"> <li>• Compliance with all loan covenants (road sector reforms, social and environmental safeguards, financial, economic, and others)</li> <li>• Providing funds and staffing as per the commitments/assurances on the institutional development component</li> <li>• Timely provision of agreed counterpart funds for project activities</li> <li>• Establishing a strong financial management system and conducting timely financial audits based on the agreed timeframe, and taking recommended actions</li> <li>• Overseeing the performance of the project implementation unit (PIU) of the Kamataka State Highways Improvement Project (KSHIP)</li> <li>• Ensuring project sustainability during post-implementation stage and reporting to ADB on the assessed development impacts</li> <li>• Interagency coordination</li> </ul>
Project Implementation Unit of Kamataka State Highways Improvement Project (PIU-KSHIP)	<ul style="list-style-type: none"> <li>• Conducting preconstruction activities</li> <li>• Recruiting independent engineer consultants (IEC), nongovernment organization (NGO) consultants, monitoring and evaluation (M&amp;E) consultants, safety consultants, and institutional development support (IDS) consultants</li> <li>• Recruiting contractors</li> <li>• Monitoring and evaluation of project activities and outputs, including periodic review, preparation of review reports reflecting issues and time-bound actions taken (or to be taken)</li> <li>• Involving beneficiaries/representatives in all stages of project development and implementation</li> <li>• Public disclosure of project outputs</li> <li>• Quality assurance of works and services of consultants and counterpart staff</li> <li>• Submitting timely withdrawal applications to ADB</li> <li>• Compliance with all loan covenants (road sector reforms, social and environmental safeguards, financial, economic, and others)</li> <li>• Preparing regular periodic progress reports, and project completion reports and their timely submission to ADB</li> </ul>
Asian Development Bank (ADB)	<ul style="list-style-type: none"> <li>• Providing timely guidance at each stage of the project for smooth implementation in accordance with the agreed implementation arrangements</li> <li>• Reviewing all documents that require ADB approval</li> <li>• Conducting periodic loan review missions, a midterm review, and a completion mission</li> <li>• Ensuring compliance with all loan covenants (institutional strengthening, social and environmental safeguards, financial, economic, and others)</li> <li>• Timely processing of withdrawal applications and release of eligible funds</li> <li>• Ensuring compliance with financial audit recommendations</li> <li>• Regular update of the project performance review reports with the assistance of the PIU-KSHIP</li> <li>• Regular posting on ADB website of updated project information documents for public disclosure, and the safeguards documents as per the disclosure provision of the ADB Safeguard Policy Statement</li> </ul>



**B. Key Persons Involved in Implementation****Executing Agency**

Karnataka Public Works, Ports,  
and Inland Water Transport  
Department (KPWD)

Mr. M. Lakshminarayana, I.A.S.  
Position: ~~Principal~~ Additional Chief Secretary to  
Government of Karnataka  
Telephone: +91 80 22251449  
Email address: [prs.pwd@gmail.com](mailto:prs.pwd@gmail.com)  
Office address: Public Works, Ports & Inland Water  
Transport Department, #336, 3rd Floor, Vikasa Soudha  
Bengaluru – 560001

**Implementing Agency**

Project Implementation Unit,  
Karnataka State Highway  
Improvement Project,  
Public Works Department

Mr. P. Manivannan P., I.A.S.  
Position: Chief Project Officer  
Telephone: +91 80 22249981  
Email address: [cpopiukship@gmail.com](mailto:cpopiukship@gmail.com)  
Office address: Project Implementation Unit, 1st Floor,  
PWD Annex building, K R Circle  
Bengaluru – 560001

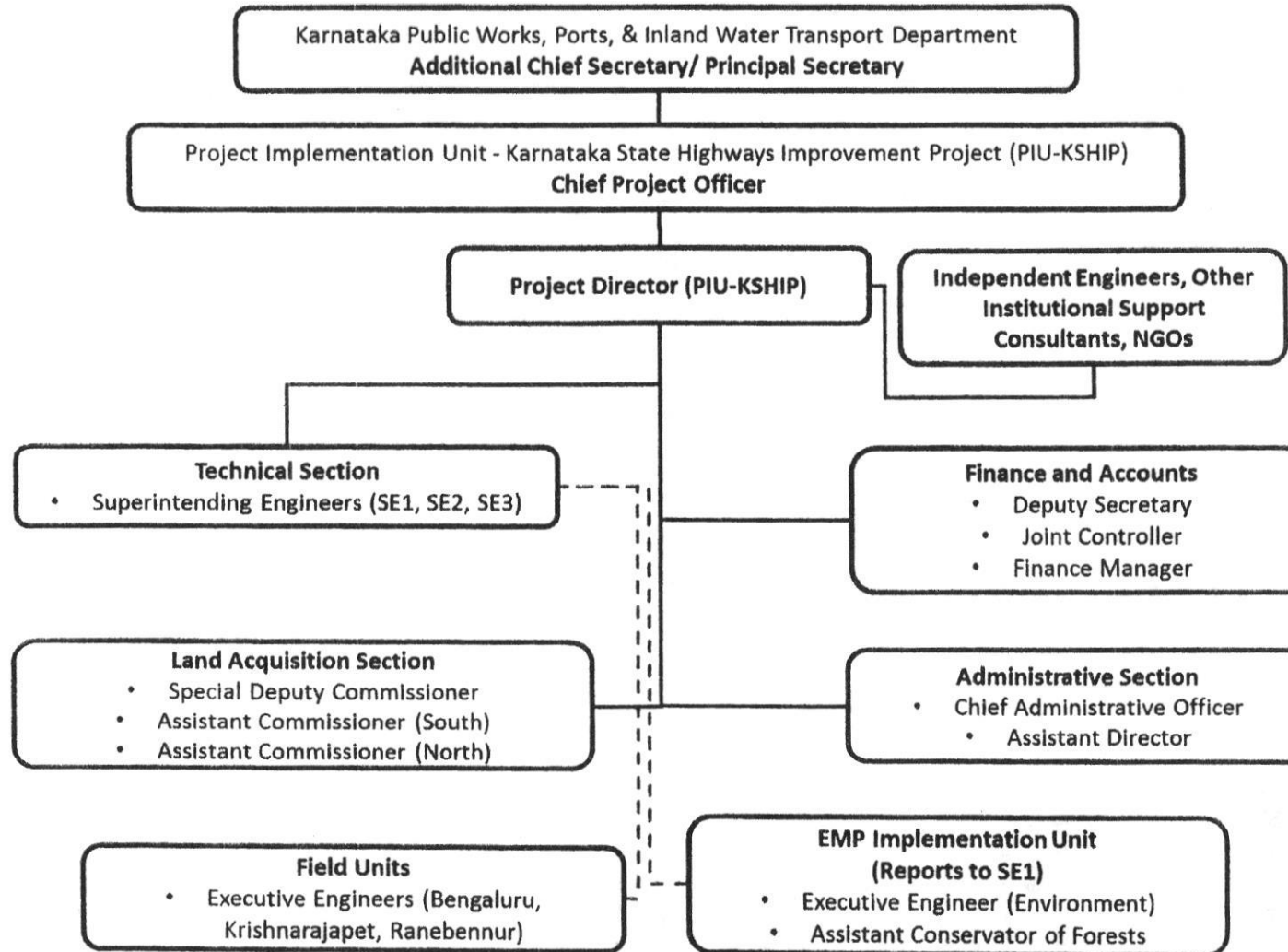
**Asian Development Bank**  
South Asia Transport and  
Communications Division  
(SATC)

Hiroaki Yamaguchi  
Position: Director  
Telephone: +63 2 632 6745  
Email address: [hyamaguchi@adb.org](mailto:hyamaguchi@adb.org)

**Mission Leader**

Ravi Peri  
Position: Principal Transport Specialist  
Telephone: +63 2 683 1771  
Email address: [rperi@adb.org](mailto:rperi@adb.org)

## C. Project Organization Structure



EMP = environmental management plan, NGO = nongovernment organization, SE = superintending engineer.

#### IV. COSTS AND FINANCING

6. ADB will finance \$346.0 million, which is 53% of the total project cost, while the Government of Karnataka will finance \$202 million, which is 31% of the total project cost. The private sector, through hybrid annuity contracts, will finance \$107 million, which is the balance of 16% of the total project cost. ADB's financing will be related to the following components: (i) upgrading of state highways; (ii) road safety audit and measures to improve accident spots; (iii) consulting services related to these aspects; and (iv) consulting services related to improving institutional capacity and efficiency. ADB will also finance taxes and duties that (i) are within the reasonable threshold identified during the country partnership strategy (CPS) preparation process; (ii) represent about 4% of the investment plan; and (iii) apply only to ADB-financed expenditures. The financing of the taxes and duties is considered material and relevant to the success of the project. In addition to financing a proportionate share for the above components, the Government of Karnataka will finance all costs related to (i) land acquisition; (ii) rehabilitation and resettlement; (iii) operation and maintenance works; (iv) project management; (v) interest during construction; and (vi) commitment charges. Detailed component-wise tabulations are given in subsequent tables in this Project Administration Manual.

##### A. Cost Estimates Preparation and Revisions

7. Cost estimates were prepared by a set of technical consultants recruited by the PIU-KSHIP for preparing detailed project reports, and reviewed by the PIU-KSHIP staff. ADB recruited consultants under a project preparatory technical assistance (PPTA) to conduct a due-diligence exercise. The basic cost data for the project are based on a "Schedule of Rates for Roads and Bridges of National Highway" published periodically by the Government of Karnataka, ~~updated to~~ January 2017 prices, updated from time to time. During implementation, the schedule of rates (if any), along with the then current normalized bid rates, will be updated by the PIU-KSHIP on an annual basis, and used for assessing project estimates and bid responses.

##### B. Key Assumptions

8. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: ₹65.124.23 = \$1.00 (as of 21 October 2017 ~~July 2017~~).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

**Table 5: Escalation Rates for Price Contingency Calculation**  
(%)

Item	2017	2018	2019	2020	2021	2022	Average
Foreign rate of price inflation	2.9	4.5	6.0	7.6	9.1	10.6	6.8
Domestic rate of price inflation	5.80	11.30	16.80	22.30	27.80	33.30	19.55

Sources: Asian Development Bank. International and Domestic Cost Escalation Factors 2017–2021; Asian Development Bank estimates for 2019–2022.

C. Detailed Cost Estimates by Expenditure Category

Table 6: Summary Cost Estimates  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Upgrading of state highways	594.00
2. Road safety	12.00
3. Institutional development	9.00
<b>Subtotal (A)</b>	<b>615.00</b>
<b>B. Contingencies<sup>c</sup></b>	<b>18.00</b>
<b>C. Financing Charges during Implementation<sup>d</sup></b>	<b>22.00</b>
<b>Total (A+B+C)<sup>e</sup></b>	<b>655.00</b>

<sup>a</sup> This includes taxes and duties of about \$27 million to be financed from government resources by cash contribution and ADB. The taxes and duties to be financed by ADB (i) are within the reasonable threshold identified during the country partnership strategy preparation process; (ii) represent only 4% of the investment plan; (iii) apply only to ADB-financed expenditures; and (iv) the financing of the taxes and duties is considered material and relevant to the success of the project.

<sup>b</sup> In January 2017 prices.

<sup>c</sup> Physical contingencies computed at 2% for civil works; price contingencies computed at 2% of local currency costs.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for the ADB loan(s) is computed at the 5-year fixed swap rate plus a spread of 0.5% and maturity premium of 0.10%. Commitment charges for an ADB loan are 0.15% per year on the undisbursed loan amount.

<sup>e</sup> The summary of cost estimates is exclusive of the operation and maintenance, and interest payments to be paid to the concessionaire by the State Government, after construction completion.

Source: Asian Development Bank estimates.

D. Allocation and Withdrawal of Loan Proceeds

Table 7: Allocation and Withdrawal of Loan Proceeds

Sl. No.	Item	Amount Allocated Category (\$)	Percentage of ADB Financing from the Loan Account
1	Works	307,000,000	75% of total expenditure claimed
2	Road Safety Component	12,000,000	100% of total expenditure claimed
3	Consulting Services	13,500,000	100% of total expenditures claimed
4	Unallocated	13,500,000	
	<b>Total</b>	<b>346,000,000</b>	

ADB = Asian Development Bank.

Source: Asian Development Bank estimates.

## E. Detailed Cost Estimates by Financier

Table 8: Detailed Cost Estimates by Financier  
(\$ million)

Component	Total \$ Million	ADB		GOK		Private Sector	
		%	Amount	%	Amount	%	Amount
A. Land acquisition, resettlement and rehabilitation, utility shifting, tree planting	171.00	0%	0.00	100%	171.00	0%	0.00
B. Hybrid Annuity Contracts	409.00	75%	306.75	0%	0.00	25%	102.25
Kollegal - Hannur; Chintamani - Andhra border; Bengaluru							
1 to NH-48 via Magadi	135.61						
2 Magadi - Somwarpath	151.21						
3 Gadag - Honnali	122.12						
C. Road Safety Works	12.00	100%	12.00	0%	0.00	0%	0.00
D. Consulting Services	18.00	75%	13.50	0%	0.00	25%	4.50
Independent Engineer(s)	9.00	50%	4.50	0%	0.00	50%	4.50
Other (Institutional and Support)	9.00	100%	9.00	0%	0.00	0%	0.00
E. Project Management	5.00	0%	0.00	100%	5.00	0%	0.00
Subtotal A-E	615.00	54%	332.25	29%	176.00	17%	106.75
F. Contingencies							
1. Physical	9.00	75%	6.75	25%	2.25	0%	0.00
2. Price	9.00	75%	6.75	25%	2.25	0%	0.00
Subtotal Contingencies	18.00	75%	13.50	25%	4.50	0%	0.00
G. Financing Charges							
1. IDC	20.00	0%	0.00	100%	20.00	0%	0.00
2. Commitment Charges	2.00	0%	0.00	100%	2.00	0%	0.00
Subtotal Financing Charges	22.00	0%	0.00	100%	22.00	0%	0.00
<b>TOTAL</b>	<b>655.00</b>	<b>53%</b>	<b>346.00</b>	<b>31%</b>	<b>202.00</b>	<b>16%</b>	<b>107.00</b>

ADB = Asian Development Bank, GOK = Government of Karnataka, IDC = interest during construction, NH = national highway.

Note: Numbers may not sum precisely because of rounding.

Sources: Public Works Department – Karnataka; Asian Development Bank.

## F. Detailed Cost Estimates by Year

Table 9: Detailed Cost Estimates by Year  
(\$ million)

Component		Total \$ Million	2018	2019	2020	2021	2022	2023
A.	Land acquisition, resettlement and rehabilitation, utility shifting, tree planting	171.00	59.85	59.85	51.30	0.00	0.00	0.00
B.	Hybrid Annuity Contracts	409.00	8.18	61.35	73.62	81.80	102.25	81.80
	Kollegal - Hannur; Chintamani - Andhra border; Bengaluru to NH-48 via Magadi	135.61						
1	Magadi - Somwarpeth	151.21						
3	Gadag - Honnali	122.12						
C.	Road Safety Works	12.00	0.00	0.00	1.20	3.60	6.00	1.20
D.	Consulting Services	18.00	0.00	0.00	1.80	5.40	9.00	1.80
	Independent Engineer(s)	9.00						
	Other (Institutional and Support)	9.00						
E.	Project Management	5.00	0.10	0.75	0.90	1.00	1.25	1.00
	Subtotal A-E	615.00	68.13	121.95	128.82	91.80	118.50	85.80
F.	Contingencies							
	1. Physical	9.00	0.18	1.35	1.62	1.80	2.25	1.80
	2. Price	9.00	0.18	1.35	1.62	1.82	2.25	1.77
	Subtotal Contingencies	18.00	0.36	2.70	3.24	3.62	4.50	3.57
G.	Financing Charges							
	1. IDC	20.00	0.02	0.82	2.28	4.02	5.96	6.90
	2. Commitment Charges	2.00	0.34	0.60	0.48	0.34	0.19	0.05
	Subtotal Financing Charges	22.00	0.36	1.41	2.76	4.37	6.15	6.95
	<b>TOTAL</b>	<b>655.00</b>	<b>68.85</b>	<b>126.06</b>	<b>134.82</b>	<b>99.78</b>	<b>129.15</b>	<b>96.32</b>

ADB = Asian Development Bank, GOK = Government of Karnataka, IDC = interest during construction, NH = national highway.

Note: Numbers may not sum precisely because of rounding.

Sources: Public Works Department – Karnataka; Asian Development Bank.

## G. Detailed Cost Estimates by Outputs

**Table 10: Detailed Cost Estimates by Outputs**  
(\$ million)

Component	Total \$ Million	Output 1: Rehabilitation of Roads		Output 2: Road Safety		Output 3: Institutional	
		%	Amount	%	Amount	%	Amount
A. Land acquisition, resettlement and rehabilitation, utility shifting, tree planting	171.00	100%	171.00	0%	0.00	0%	0.00
B. Hybrid Annuity Contracts	409.00	100%	409.00	0%	0.00	0%	0.00
Kollegal - Hannur; Chintamani - Andhra border; Bengaluru							
1 to NH-48 via Magadi	135.61						
2 Magadi - Somwarpeth	151.21						
3 Gadag - Honnali	122.12						
C. Road Safety Works	12.00	0%	0.00	100%	12.00	0%	0.00
D. Consulting Services	18.00	56%	10.00	0%	0.00	44%	8.00
Independent Engineer(s)	9.00						
Other (Institutional and Support)	9.00						
E. Project Management	5.00	100%	5.00	0%	0.00	0%	0.00
Subtotal A-E	615.00	97%	595.00	2%	12.00	1%	8.00
F. Contingencies							
1. Physical	9.00	100%	9.00	0%	0.00	0%	0.00
2. Price	9.00	100%	0.00	0%	0.00	0%	0.00
Subtotal Contingencies	18.00	100%	18.00	0%	0.00	0%	0.00
G. Financing Charges							
1. IDC	20.00	100%	20	0%	0.00	0%	0.00
2. Commitment Charges	2.00	100%	2	0%	0.00	0%	0.00
Subtotal Financing Charges	22.00	100%	22	0%	0.00	0%	0.00
<b>TOTAL</b>	<b>655.00</b>	<b>96.95%</b>	<b>635.00</b>	<b>1.83%</b>	<b>12.00</b>	<b>1.22%</b>	<b>8.00</b>

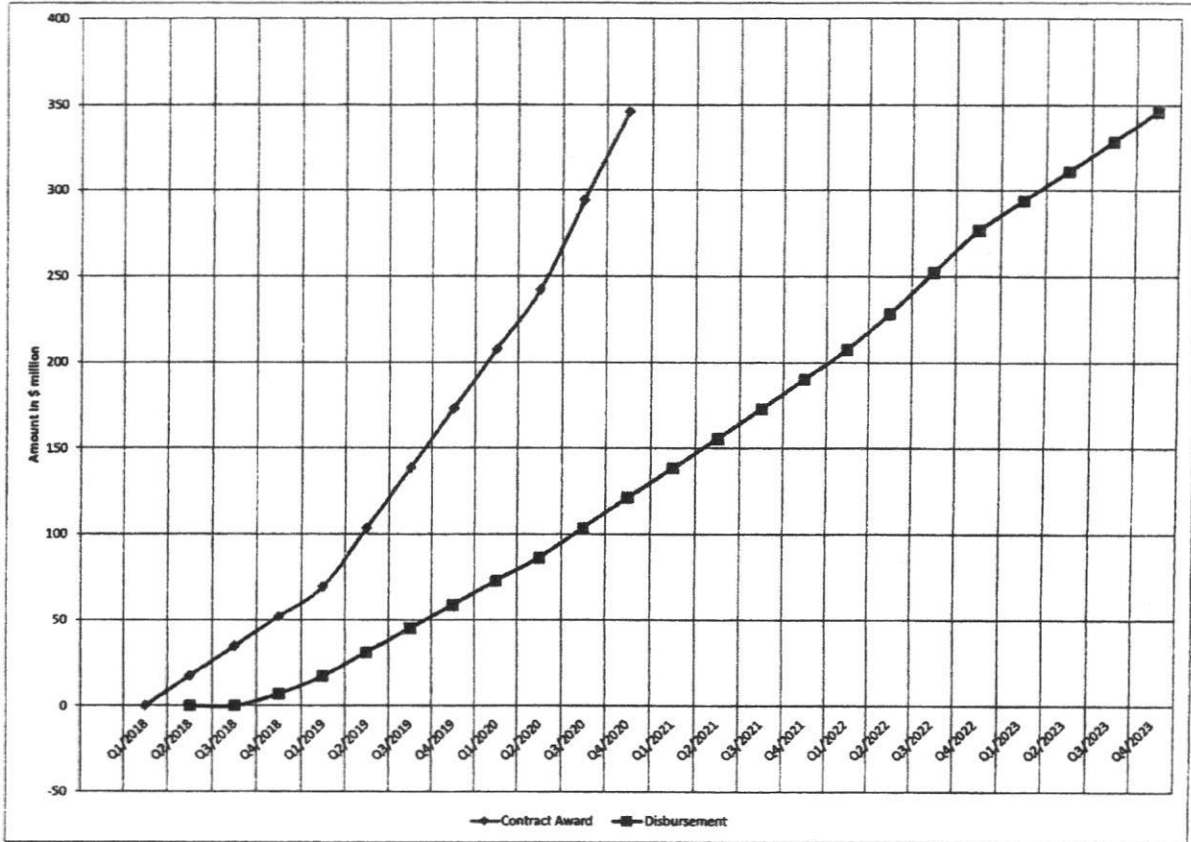
ADB = Asian Development Bank, GOK = Government of Karnataka, IDC = interest during construction, NH = national highway.

Note: Numbers may not sum precisely because of rounding.

Sources: Public Works Department – Karnataka; Asian Development Bank.

## H. Contract and Disbursement S-Curve

9. The following graph shows contract awards and disbursements for the allocated amounts over the life of the project, on a quarterly basis, based on the contract awards and disbursement projections.



Source: Asian Development Bank estimates.

10. Table 11 indicates the same details of contract awards and disbursements for the allocated amounts over the life of the project, on a quarterly basis, based on the contract awards and disbursement projections.

**Table 11: Contracts and Disbursement Tabulation**

Quarter/Year	Cumulative Award (\$ million)	Cumulative Disbursement (\$ million)
Q1/2018	0	
Q2/2018	17	0
Q3/2018	35	0
Q4/2018	52	7
Q1/2019	69	17
Q2/2019	104	31
Q3/2019	138	45



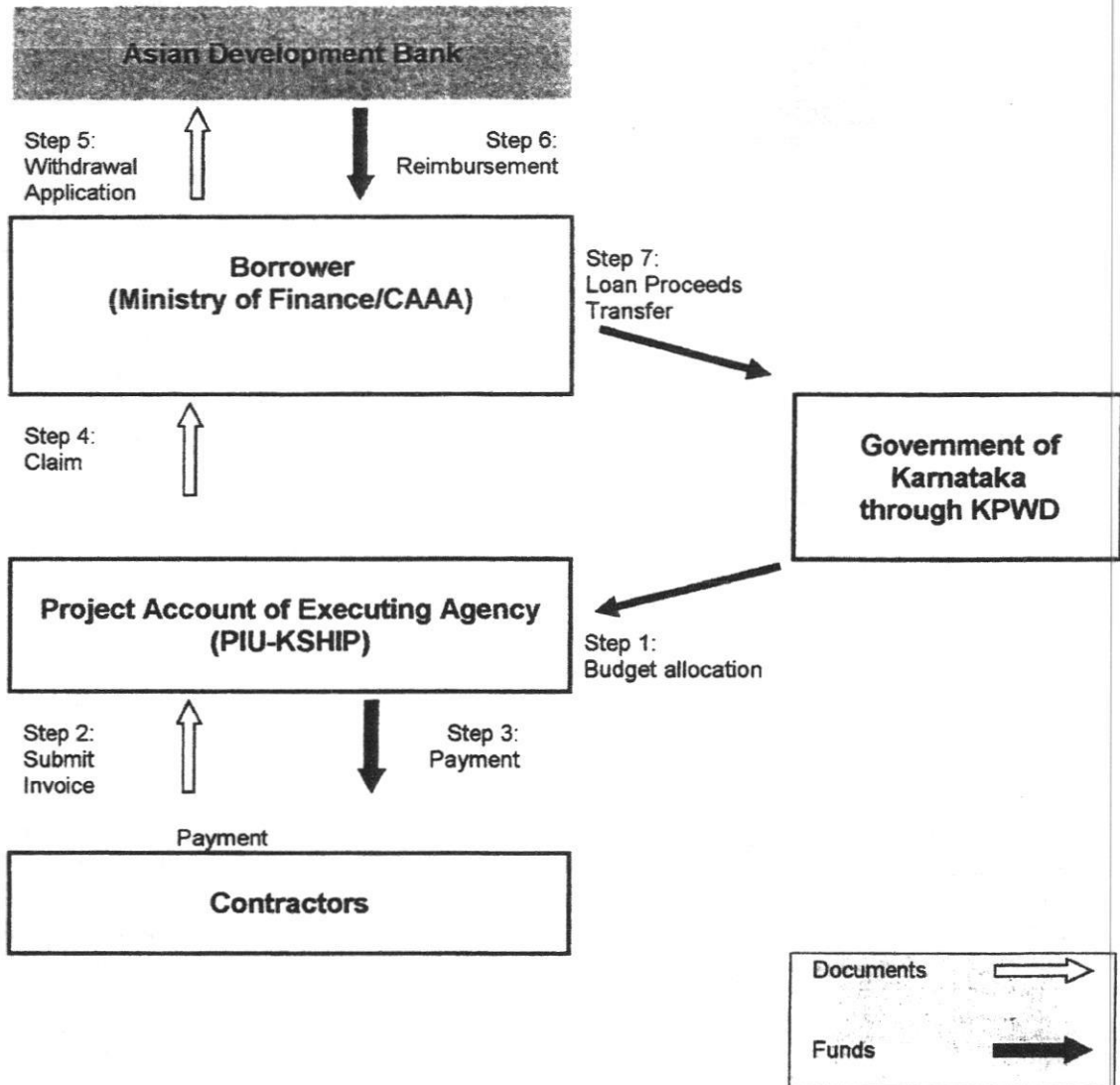
Quarter/Year	Cumulative Award (\$ million)	Cumulative Disbursement (\$ million)
Q4/2019	173	59
Q1/2020	208	73
Q2/2020	242	87
Q3/2020	294	104
Q4/2020	346	121
Q1/2021		138
Q2/2021		156
Q3/2021		173
Q4/2021		190
Q1/2022		208
Q2/2022		228
Q3/2022		253
Q4/2022		277
Q1/2023		294
Q2/2023		311
Q3/2023		329
Q4/2023		346

Q = quarter.

Source: Asian Development Bank estimates.

#### I. Fund Flow Diagram

11. Disbursement methods as outlined in ADB's Loan Disbursement Handbook (2017) will also be adopted for the project. As the main disbursement method, the loan will adopt the reimbursement method for payments. The GOK will provide the ADB loan and counterpart funds to the PIU-KSHIP for project implementation, ensuring sufficient budget for payments to the contractors based on the submitted invoices. The PIU-KSHIP will then submit claims to the borrower, who will in turn submit them to ADB. ADB will pay the borrower out of the loan and the borrower will provide additional central assistance to the PIU-KSHIP through the GOK. The GOK will be responsible for meeting the financial responsibilities and obligations of the PIU-KSHIP for the project. The following diagram shows how the funds will flow from ADB and the borrower to implement project activities. Section V.B below indicates more details on the disbursement mechanism.



CAAA = controller of aid accounts and audit, KPWD = Karnataka Public Works, Ports, and Inland Water Transport Department, PIU-KSHIP = Project Implementation Unit of Karnataka State Highways Improvement Project.  
Source: Asian Development Bank.

## V. FINANCIAL MANAGEMENT

12. The implementing agency, the PIU-KSHIP, was set up as a special purpose unit to implement projects of multilateral banks. The PIU-KSHIP is like a division of the KPWD and under its administrative authority, but it has a fairly autonomous function. The PIU-KSHIP will maintain a separate account for the project. Financial management risks will be considered and updated throughout the life of the project. Risk mitigation measures will also be updated accordingly.

### A. Financial Management Assessment

13. The financial management assessment (FMA) was conducted in June 2016 in accordance

with ADB's Guidelines for the Financial Management and Analysis of Projects (2005) and the Financial Due Diligence: A Methodology Note (2009). The FMA considered the capacity of the PIU-KSHIP, including fund flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, the capacity of the PIU-KSHIP is considered adequate in project financial accounting and in ADB disbursement procedures. The PIU-KSHIP has been the executing agency for previous ADB and World Bank loans and the assessment of its prior performance in financial management indicates the PIU-KSHIP's capacity with respect to auditing requirements, including timely submission of audited project financial statements, which has been good. Major concerns have not been identified. As the fund flows are entirely through the budgetary process and government treasury, all transactions are recorded as per government accounting systems and ultimately reflected in the state government accounts. These are subject to statutory audit by the Comptroller and Auditor General (CAG) of India in line with constitutional provisions in India. The audited accounts are placed before the state legislature.

14. In addition, transaction audits are also carried out periodically during the year by the Accountant General (an arm of the CAG at the state level) to ensure conformity with the relevant codes and standards. Apart from these, the KSHIP also prepares quarterly financial statements for individual projects of multilateral agencies as well as annual statements. A financial management system based on the off-the-shelf accounting software Tally is used. A firm of chartered accountants has been appointed to carry out internal audit in line with the requirements of the World Bank and ADB. Annual statements of project accounts are subject to audit by the Accountant General based on the Auditing Standards promulgated by the CAG. A review of the audits from FY2013 to FY2016 indicates no major adverse audit comment. However, a key weakness that has been identified is the vacancy in the financial oversight positions in the PIU-KSHIP, which are to be staffed by government officers. Due to this circumstance, the risk of financial management has been rated as Moderate. Certain action points have been identified and set out in Table 12 below.

**Table 12: Action Points on Financial Risk**

<b>Risk</b>	<b>Activities to Mitigate</b>	<b>Responsibility</b>	<b>Timeline</b>
Fund flow: Counterpart funds for the project (implementation and hybrid annuity payments) are not available on time.	Assurances will be placed in the project agreements that counterpart funds for the project (implementation and hybrid annuity contract payments) will be made available on time.	GOK	At the time of loan negotiations
Reporting and monitoring: Funds received from government for implementation and hybrid annuity contract payments are not segregated and maintained.	Records of fund flow for the project need to be maintained separately.	PIU-KSHIP	Ongoing, commencing from Q4 2016
Human resources: Key financial management positions are not staffed.	Key positions need to be staffed.	GOK, PIU-KSHIP	From FY2018

ADB = Asian Development Bank, FY = fiscal year, GOK = Government of Karnataka, PIU-KSHIP = Project Implementation Unit of Karnataka State Highways Improvement Project, Q = quarter.

Source: Asian Development Bank.

## B. Disbursement

### Disbursement Arrangements for ADB Funds

15. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time) and the detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.<sup>7</sup> Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

16. **Statement of expenditure procedure.**<sup>8</sup> The statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account(s). Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

17. ADB's imprest account procedure will not be used for the project. Direct payment procedures will also not be used for the project.

18. The PIU-KSHIP will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

19. Before the submission of the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with ADB's Loan Disbursement Handbook. Individual payments below this amount should generally be paid by the PIU-KSHIP and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept withdrawal applications below the minimum amount.

20. Withdrawal applications and supporting documents will demonstrate, among other things, that the goods and/or services were produced in or from ADB members, and are eligible for ADB financing.

21. All disbursements under government financing will be carried out in accordance with the regulations of the Government of India and the State Government of Karnataka and accounting principles acceptable to ADB.

## C. Accounting

22. The PIU-KSHIP will maintain separate project financial statements and records by funding source for all expenditures incurred on the project. Project financial statements will follow accounting principles and practices prescribed by the government's accounting laws and regulations.<sup>9</sup>

<sup>7</sup> Disbursement eLearning: [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

<sup>8</sup> SOE forms are available in Appendix 7B and 7D of ADB's Loan Disbursement Handbook (2017, as amended from time to time).

<sup>9</sup> Government laws and regulations, and following Indian Generally Accepted Accounting Principles.

#### D. Auditing and Public Disclosure

23. The PIU-KSHIP will cause the detailed consolidated project financial statements to be audited in accordance with the government's audit regulations by an auditor appointed by the Auditor General, which is acceptable to ADB. The audited financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency.

24. The annual audit report for the project financial statements will include an audit opinion, which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project. If a management letter is prepared by the auditor, this shall also be submitted to ADB.

25. To ensure the timely submission of audited project financial statements, the PIU-KSHIP shall formally request the CAG to include the audit of the project accounts in their yearly work plan. Unaudited project financial statements should be submitted to the CAG for audit within 3 months of the end of the fiscal year.

26. The government and the PIU-KSHIP have been made aware of ADB's policy on delayed submission of audited project financial statements, and the requirements for the statements being of satisfactory and acceptable quality.<sup>10</sup> If the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed, then ADB reserves the right to require an additional auditor, as mutually agreed with the borrower, to complete the audit in a satisfactory and timely manner. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

27. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

28. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).<sup>11</sup> After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 14 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

<sup>10</sup> Following is ADB's policy on delayed submission of audited project financial statements:

- (i) When audited project financial statements are *not received by the due date*, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements *have not been received within 6 months after the due date*, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements *have not been received within 12 months after the due date*, ADB may suspend the loan.

<sup>11</sup> Available at <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

29. All advance contracting and retroactive financing will be undertaken in conformity with ADB's Procurement Guidelines (April 2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time).<sup>12,13</sup> The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower, the Government of Karnataka, and the PIU-KSHIP have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

30. **Advance contracting.** The PIU-KSHIP has requested advance action to expedite the consultant selection process, including finalization of the request for proposals and evaluation and procurement of works under hybrid annuity contracts, as well as preparation of bidding documents and call for tenders.

31. **Retroactive financing.** The PIU-KSHIP has requested approval for retroactive financing. If approved by the Board, the reimbursement of eligible expenditures under the loan, subject to a maximum amount of 20% of the loan amount, may be made before the effective date but not earlier than 12 months before the signing of the loan and project agreements.

### B. Procurement of Goods, Works, and Consulting Services

32. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines.

33. The PIU-KSHIP and ADB have discussed procurement packages and procedures and understood that the proposed project involves mainly international competitive bidding (ICB), although one package is under national competitive bidding (NCB). The procurement plan should be updated whenever change in the procurement arrangements is required and agreed.

34. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and NCB guidelines is cited in section VI.C below.

35. Procurement activities under the PIU-KSHIP will be the responsibility of the Chief Project Officer (CPO), who will be supported by the Project Director, Superintending Engineer, and other staff and consultants. ADB will closely monitor all major project implementation activities. Contracts for civil works will comprise three ICB packages. All contracts for civil works and goods will be procured in accordance with ADB's Procurement Guidelines.

36. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants.<sup>14</sup> The terms of reference for all consulting services are cited in section VI.D below.

37. Consulting services are required to facilitate project management and implementation. Independent Engineering Consultants (IEC) will be funded out of loan proceeds. As per the hybrid annuity contracts, the IEC for each contract will be funded 50:50 each by the KPWD and the

<sup>12</sup> Available at <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

<sup>13</sup> Available at <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

<sup>14</sup> Checklists for actions required to contract consultants by method are available in the e-Handbook on Project Implementation at <http://www.adb.org/documents/handbooks/project-implementation/>

hybrid annuity contractor. After the availability period of the loan, the KPWD will continue to make any residual payments out of its own funds. For the consultants for road safety audit and implementation support, the funds will be met entirely out of loan funds. The expertise requirements of consultants are given in the relevant sections of the terms of reference in Attachment 5 of this PAM. Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality:cost ratio of 80:20.

38. The PIU-KSHIP will institute a referencing system in record keeping. All procurement files, including bid invitations, winning bids, evaluation reports, pre-contract documents, contract documents, and invoices, will be kept in single contract files. The government regulations require keeping all records for 8 years, which sufficiently cover the ADB requirement to keep the project records for 2 years after project completion, considering that all projects under the proposed loan are envisioned to be completed within 3–4 years following procurement activities.

### **C. Procurement Plan**

39. The procurement plan is in Attachment 1 of this PAM and describes all procurement of good and works to be undertaken for the project based on the Procurement Capacity Assessment undertaken separately for the PIU-KSHIP.

### **D. Consultant's Terms of Reference**

40. The terms of reference for the Independent Engineering Consultants are given in the relevant sections of the terms of reference in Attachment 5A of this PAM. The terms of reference of the Road Safety Audit Consultant are given in Attachment 5B. In addition, an Implementation Support Consultant (ISC) will assist the PIU-KSHIP with contract management, safeguards, financial management, and accounts. The terms of reference of the ISC (national) are given in Attachment 5C.

## **VII. SAFEGUARDS**

41. Pursuant to ADB's Safeguard Policy Statement (SPS 2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.<sup>15</sup>

### **A. Environmental Safeguards**

42. The project is categorized as B based on ADB's Safeguard Policy Statement as the project scope involves the improvement of existing state highways (SH) to standard two lane SH. The project roads do not pass through any environmentally sensitive areas, and no significant and irreversible environmental impacts are expected. Five initial environmental examination (IEE) reports, including an environmental management plan (EMP) and environmental monitoring plan (EMOP), have been prepared for the five project roads.

43. The EMP is a plan for mitigating all anticipated environment impacts during project construction and operation. Specific mitigation measures with details on location, time, and the responsible agency for implementation are given in the EMP. The EMOP is a plan for monitoring the quality of air, water, noise, and soil. The contractor will outsource these monitoring activities to laboratories that are approved by the National Accreditation Board for Laboratories (NABL).

<sup>15</sup> Available at <http://www.adb.org/sites/default/files/pub/2009/Safeguard-Policy-Statement-June2009.pdf>

The PIU-KSHIP will carry out the compensatory afforestation activities and maintenance or through specialized agencies that can carry out tree plantation, maintenance, monitoring, and reporting.

44. No environmental clearance is required for any of the five project roads. Forestry clearance for diversion of forest land will be required for three roads: (i) Chintamani to Andhra Pradesh border, (ii) Magadi to Somwarpet, and (iii) Gadag to Honnali. Clearance from the Archeological Survey of India (ASI) is required for the Magadi to Somwarpet road because of the presence of two ancient temples<sup>16</sup> near the road in Ramanathapura. Cutting of trees is required for all five roads. The clearances and tree cutting permits will be processed and obtained by the PIU-KSHIP before the start of construction works in the respective road sections. Permits, certificates, no-objection letters, etc., for activities such as operation of hot mix plants, operation of equipment and machinery, sourcing of ground water, etc., must be obtained by the contractor before the implementation of the respective construction activity.

45. The EMP for all project roads will be attached to the respective contract documents. The responsibilities of the respective parties and agencies on implementing the environmental safeguards are given below:

- **PIU-KSHIP.** The Environmental Management Plan Implementation Unit (EMPIU) under the PIU-KSHIP has an Executive Engineer for environment and an Assistant Conservator of Forests.<sup>17</sup> An Assistant Executive Engineer will be recruited to assist the Environment Engineer. The EMPIU will ensure compliance with all environmental safeguard requirements as stated in the IEE, EMP, EMOP, and loan covenants for the project. Specifically, the EMPIU will (i) conduct periodic site inspections; (ii) review and approve quarterly environmental monitoring reports submitted by the Independent Engineering Consultants (IEC); (iii) review and approve annual environmental monitoring reports submitted by the IEC team and submit these to ADB for disclosure on the ADB website; (iv) process the forestry and ASI clearance and the tree cutting permit as stated above; and (v) implement the compensatory afforestation program in partnership as provided in the IEE.
- **Implementation Support Consultant (ISC).** The ISC will have an Environmental Specialist to assist the EMPIU in overseeing the implementation of environmental safeguards. Support will be provided as necessary to the EMPIU in delivering their responsibilities as stated above.
- **Independent Engineering Consultant (IEC).** The IEC will have a team that includes a Senior Environmental Specialist and Junior Environmental Specialist for supervising environmental safeguard activities. They will be responsible for (i) regular site level monitoring; (ii) providing technical advice and on-the-job training to the contractor to enable smooth implementation of the EMP; (iii) updating the EMP as necessary; (iv) preparing quarterly monitoring reports and annual environmental monitoring reports for submission to the PIU-KSHIP and for further submission to ADB for disclosure on the ADB website; and (v) providing necessary technical support to the EMPIU.
- **Contractor/Concessionaire.** The contractor/concessionaire will appoint an Environmental Officer along with an Environmental Health and Safety team to ensure

<sup>16</sup> The two ancient temples are each located 132 meters and 172 meters, respectively, from the centerline of the road.

<sup>17</sup> The Assistant Conservator of Forests is on deputation from the Department of Forests.



proper implementation of the EMP in accordance with the contract agreement. They will be responsible for obtaining permits, no-objection certificates, consent to establish and operate, etc. for crushing plants, hot mix plants and other machinery in a timely manner, and for preparing monthly reports on EMP implementation for submission to the IEC.

46. An initial coordination cum training workshop will be organized by the ISC during the pre-construction stage and further during the construction stages for the PIU-KSHIP staff, the IEC staff, and the ~~contractors~~concessionaires.

## B. Social Safeguards

47. **Involuntary resettlement.** The project is categorized as A based on ADB's Involuntary Resettlement Safeguards because of its significant impacts, which will affect 24,244 persons and require 463.58 hectares of private land. The preferred approach to deal with private land and assets will be through direct purchase, following the provisions of Section 46 of India's Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act 2013) and ADB's Safeguard Policy Statement (para. 25, Involuntary Resettlement Requirement 2, Appendix 2, p. 48).<sup>18</sup> As per ADB's SPS requirement, the fairness and transparency of the direct purchase approach will be independently monitored by a third-party monitor appointed by ADB. Should direct negotiations fail, the involuntary safeguards standard requirement will be triggered. Five resettlement plans (RP) have been prepared and disclosed on ADB's website. The total budget required for direct purchase and the implementation of the resettlement plans and utility shifting is about \$171 million. The cost of direct purchase, and resettlement activities, and utility shifting will be entirely borne by the Government of Karnataka.

48. **Indigenous peoples safeguards.** The project is categorized as C based on ADB's SPS. The roads do not cross customary or tribal land and the census survey confirmed that the few scheduled tribe (ST) households who are affected (3.75.5%) are mainstreamed in the wider society and share similar occupations and religious beliefs as non-ST households.

49. **Implementation arrangements for direct purchase and resettlement activities.** Direct purchase and resettlement activities will be implemented by the KSHIP's social development and resettlement cell, which will be composed of 17 staff.

50. **Social development and resettlement cell (SDRC).** The SDRC will comprise the following key staff: (i) one Special Deputy Commissioner for Land Acquisition in charge of supporting direct purchase and land acquisition activities who will be stationed in Bangalore; (ii) one Chief Administrative Officer; (iii) one Assistant Director for Social Welfare; and (iv) one Resettlement and Rehabilitation Manager responsible for resettlement and rehabilitation activities. They will be supported by five Social Development Officers (three stationed in the new

<sup>18</sup> SPS Appendix 2, paragraph 25, p. 48: "Safeguard Requirements 2 does not apply to negotiated settlements, unless expropriation would result upon the failure of negotiations. Negotiated settlements help avoid expropriation and eliminate the need to use governmental authority to remove people forcibly. The borrower/client is encouraged to acquire land and other assets through a negotiated settlement wherever possible, based on meaningful consultation with affected persons, including those without legal title to assets. A negotiated settlement will offer adequate and fair price for land and/or other assets. The borrower/client will ensure that any negotiations with displaced persons openly address the risks of asymmetry of information and bargaining power of the parties involved in such transactions. For this purpose, the borrower/client will engage an independent external party to document the negotiation and settlement processes. The borrower/client will agree with ADB on consultation processes, policies, and laws that are applicable to such transactions; third-party validation; mechanisms for calculating the replacement costs of land and other assets affected; and record-keeping requirements."

division offices of Bangalore, Rannebennur, and Krishnarajpet, and two in the Bangalore head office) and eight Social Welfare Inspectors (six stationed in the new division offices and two in the Bangalore head office). The SDRC will manage the internal monitoring system of direct purchase and resettlement activities, update the resettlement plans, and submit semi-annual social monitoring reports to ADB.

51. **Implementation Support Consultant (ISC).** The ISC will have a Social Specialist to assist the SRDC in overseeing the implementation of direct purchase and resettlement activities.

52. **Resettlement implementing agencies/NGOs.** Three resettlement implementation agencies have been recruited in March 2017 to facilitate the implementation of the five resettlement plans.<sup>19</sup> They will work as a link between the SDRC and the affected community, and conduct the following key tasks: (i) identification, verification, and updating of the census of affected households; (ii) develop micro plans in consultation with the project affected persons and the PIU staff; (iii) educate project affected persons on the entitlement matrix; (iv) assist affected households in identifying suitable alternate land for resettlement purpose; (v) prepare and distribute entitlement identity cards; (vi) assist affected persons in getting benefits from various government development programs; (vii) conduct the livelihood development program; (viii) help establish and set up the grievance redress committees; (viii) conduct ongoing consultations with affected persons with special attention to women and vulnerable groups; and (ix) set up and manage the internal monitoring system.

53. **Independent Engineering Consultant (IEC).** The IEC's team will include two social experts (one key expert and one non-key expert) who will be responsible for the following: (i) guide the implementation process of the direct purchase and resettlement activities; (ii) help set up an internal monitoring system; (iii) participate and monitor the project-level grievance redress committee; and (iv) support the preparation of the semi-annual social monitoring reports.

### C. Grievance Redress Mechanism

54. The existing grievance redress mechanism (GRM) used for the KSHIP-I and KSHIP-II projects will be followed under KSHIP-III. The purpose of the GRM will be to receive and facilitate the resolution of affected people's concerns, complaints, and grievances about the social and environmental performance at the project level. The GRM will aim to provide a time-bound and transparent mechanism to voice and to resolve social and environmental concerns linked with the project. The project-specific GRM is not intended to bypass the government's own redress process, rather it is intended to address project affected people's concerns and complaints promptly, making the GRM readily accessible to all segments of affected persons and scaled to the risks and impacts of the project. Hence, depending on the nature and significance of the grievances or complaints, the GRM will comprise procedures to address grievances at the project site level and at the PIU-KSHIP level. More serious complaints that cannot be addressed at the PIU-KSHIP level will be forwarded to the respective grievance redress committee (GRC). Complainants may access the formal legal system at any time.

55. In addition to the standard grievance redress mechanism described above, the project will build up on the experience of KSHIP-I and KSHIP-II and continue using its mobile and web-based grievance redress platform. The KSHIP has appointed a consultant with fully staffed Public

<sup>19</sup> Sahyadri Community Development and Women Empowerment Society, Sirsi; Bijapur Integrated Rural Development Society, Hunugund; and Swamy Vivekanand Samaj Seva Samsthe, Sutagatti.

Response Center that uses a 24–7 phone helpline and its project website to receive, quickly address, and efficiently follow up and monitor complaints and grievances. Complainants can submit their grievances in English or Kannada using mobile and SMS, landline, website, social media, and in writing to the Public Response Center. The status or resolution of grievances can be monitored by the KSHIP staff and the wider public at the website, [www.kship.in/](http://www.kship.in/).

## VIII. GENDER AND SOCIAL DIMENSIONS

56. **Gender.** The project is categorized as “some gender elements” (SGE) based on the Guidelines for Gender Mainstreaming Categories of ADB Projects (2012 updated). Pedestrian and gender-sensitive measures have been integrated to maximize project benefits. Table 13 below lists these measures and the institutions responsible for implementation.

**Table 13: Gender Actions**

	<b>Activity</b>	<b>Responsibility</b>
1	Integrate pedestrian-friendly features into road design such as bus shelters, well-marked crossings, safety signage, pedestrian walkways in the form of raised walkway, hard shoulder, soft shoulder, or covered drains depending on available right of way and local needs.	<ul style="list-style-type: none"> <li>• Designed by the DPR Consultant</li> <li>• Implemented by the civil works contractor</li> <li>• Monitored by PIU-KSHIP/IEC</li> </ul>
2	Ensure and monitor the participation of at least 40% of women and girls in community awareness activities (road safety, human trafficking, and HIV/AIDS awareness prevention) and consultations.	<ul style="list-style-type: none"> <li>• Implemented by the resettlement and community awareness NGO</li> <li>• Monitored by PIU-KSHIP/IEC and reported in the semi-annual social monitoring report</li> </ul>
3	Monitor women’s participation in construction and maintenance activities.	<ul style="list-style-type: none"> <li>• Implemented by the civil works contractor</li> <li>• Monitored by PIU-KSHIP/IEC</li> <li>• (Sex-disaggregated data to be collected for the number of maintenance workers employed)</li> </ul>

ADB = Asian Development Bank, DPR = detailed project report, IEC = Independent Engineering Consultant, PIU-KSHIP = Project Implementation Unit of Karnataka State Highways Improvement Project.  
Source: Asian Development Bank

57. **HIV/AIDS and human trafficking.** The PIU-KSHIP shall ensure that community awareness campaigns about HIV/AIDS and human trafficking prevention will be carried out along the project road corridors by the resettlement and community awareness NGOs/agencies in coordination with existing local programs. Moreover, the PIU-KSHIP shall ensure that the works contracts under the project incorporate provisions to the effect that the contractors are required to (i) carry out HIV/AIDS awareness programs for labor, and (ii) disseminate information at worksites on the risks of sexually transmitted diseases and HIV/AIDS as part of health and safety measures for those employed during construction. Such contracts will also include clauses for termination in case of any breach of the stated provisions by the contractors. The social experts from the IEC will monitor the implementation.

58. **Labor standards.** The State Government of Karnataka and the PIU-KSHIP shall ensure that the works contracts under the project follow all applicable labor laws of the Government of India and the State of Karnataka and that these further include provisions to the effect that contractors will (i) 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 will also include clauses for termination in case of any breach

of the stated provisions by the contractors. The IEC will monitor the implementation.

59. **Road safety.** The PIU-KSHIP shall ensure that community awareness campaigns about road safety will be carried out by the resettlement and community awareness NGOs/agencies along the road corridors of the project. The social experts from the IEC will monitor the implementation.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

60. The design and monitoring framework (DMF) is in Attachment 2 of this PAM.

### B. Monitoring

61. **Project performance monitoring.** The achievement of the project performance targets will be assessed following the DMF. The PIU-KSHIP will, within 3 months of the loan signing, develop a systematic project performance monitoring system, in form and substance, which is acceptable to ADB for use throughout the life of the project. The PIU-KSHIP will also establish, within 3 months of loan effectiveness, a baseline for performance indicators to be used for monitoring the implementation of each road subproject. The PIU-KSHIP will conduct annual evaluation surveys for each road subproject, in accordance with the project performance monitoring system, to evaluate the scope, implementation arrangements, progress, and achievement of the project objectives.

62. **Compliance monitoring.** Compliance with covenants will be monitored through ADB's project administration missions—including the project inception mission—to discuss and confirm the timetable for compliance with the loan covenants; project review missions to review the borrower's compliance with particular loan covenants and, where there is any noncompliance or delay, to discuss proposed remedial measures with the government; and the midterm review mission, if necessary, to review covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances.

63. **Safeguards monitoring.** Implementation of the EMP, RP, IPP, and social mitigation measures will be monitored internally by the designated PIU-KSHIP officers and externally by the external monitor and ADB safeguards staff.

64. **Environment safeguard monitoring.** Records on implementation of the mitigation measures on site will be maintained by the contractor on a monthly basis. Based on these records and spot checks of at least once a month by the IEC, monitoring reports will be compiled on a quarterly basis and submitted to the KSHIP-EMPIU. These quarterly monitoring reports will further be compiled into annual environmental monitoring reports for all project roads for further submission to ADB for disclosure on the ADB website. If there are any changes in the design or alignment, or if there are any unanticipated impacts, the EMP of the respective road will be updated to account for any additional or new environmental impacts and relevant corrective actions. The need for revising the respective IEE report will also be reviewed and confirmed in discussion with ADB.

65. **Social safeguard monitoring.** The SDRC of the PIU-KSHIP will be responsible for overall internal monitoring and evaluation of the project progress for social safeguards. Social safeguards

will also be monitored by a Social Development Specialist from ADB's South Asia Regional Department.

66. **Internal monitoring.** An internal monitoring system will be established by the SDRC and the RP implementing agency/NGO with the support of the Independent Engineering Consultant's resettlement experts. A set of process, outcome, and baseline indicators will be developed and the baseline gathered at the onset of RP implementation. These indicators will include assessing whether resettlement goals have been achieved, whether livelihood and living standards have been restored, and provide recommendations for improvement. Monitoring will also ensure the recording of affected persons' views on resettlement issues, such as the displaced peoples' understanding of entitlement policies, options, and alternatives; site conditions; compensation valuation and disbursement; grievance redress procedures; and staff competencies. Moreover, the RP implementing agency/NGO will develop a system to manage land acquisition and resettlement data (records of compensation and disbursements) as well as to maintain records of consultations, grievances, and redress.

67. **External monitoring.** The PIU-KSHIP will recruit external monitoring consultants to monitor the implementation of the resettlement plans and community awareness activities. Key activities will include (i) reviewing and assessing the performance of the implementation of the resettlement plans; (ii) monitoring the implementation schedule against the targets achieved; (iii) monitoring the implementation of HIV/AIDS and human trafficking prevention community awareness activities; and (iv) monitoring compliance of the civil works with core labor standards.

68. **Independent monitoring.** ADB will recruit a third-party monitor to assess the fairness and transparency of the direct purchase process. The independent monitor will report directly to ADB.

69. **Gender monitoring.** The IECs will undertake monitoring of the number of women employed for maintenance. Sex-disaggregated data should be collected and reported in the semi-annual social monitoring report (see Table 14 below).

70. **Monitoring reports.** Regular monitoring reports will be prepared for the KSHIP and ADB. Table 14 provides more details on the required reports to be produced.

**Table 14: Social Direct Purchase Reporting Requirements<sup>20</sup>**

Type of Report	Content	Frequency	Responsibility
RP update	Provide the updated list of affected persons and assets after the joint verification survey.	Once	NGO/KSHIP/IEC to submit to ADB
Addendum(s)	Detail the land acquisition and resettlement impacts, socioeconomic survey of affected persons, mitigation and rehabilitation measures, budgetary requirements, and timeline for implementation.	To be prepared when either condition below is met: (i) for sections of the project where the design is not final (ii) for unforeseen activities with resettlement impacts	NGO/KSHIP/IEC to submit to ADB

<sup>20</sup> The table lists all the reports related to the implementation of resettlement activities—even internal reports already included in the terms of reference of the resettlement plan (RP) implementing NGO/agency or external monitor. The list is not exclusive to the safeguards reports required to be disclosed as per the Safeguard Policy Statement.

Type of Report	Content	Frequency	Responsibility
Monthly progress report	Progress on land acquisition and resettlement activities, progress on indicators, results, issues affecting performance, constraints, variation from RP (if any) and reason for the same, and corrections recommended	Monthly	RP implementing agency/NGO to submit to PIU-KSHIP
Semi-annual social monitoring report	Progress on land acquisition and resettlement activities, indicators, variations (if any) with explanation and outcome, recommended corrective actions Progress on the implementation of community awareness activities on HIV/AIDS, human trafficking, and road safety, and reporting on gender	Semi-annually	PIU-KSHIP/IEC to submit to ADB
External monitoring report	Progress on land acquisition and resettlement activities, indicators, variations (if any) with explanation and outcome, affected person's satisfaction with process, compliance with ADB's SPS, corrective actions recommended. Progress on the implementation of community awareness activities on HIV/AIDS, human trafficking, and road safety	Semi-annually	External monitor to submit to PIU-KSHIP
Independent monitoring report – direct purchase	Assess the fairness and transparency of the direct purchase process and concerned owners' satisfaction with process.	Semi-annually	Independent monitoring team ADB to submit to ADB/PIU-KSHIP
Resettlement completion report	Overall narrative of the land acquisition and resettlement process, outputs and outcomes of indicators from baseline, key variations/ changes, lessons learned	Once	KSHIP/IEC to submit to ADB

ADB = Asian Development Bank, IEC = International Engineering Consultant, KSHIP = Karnataka State Highways Improvement Project, NGO = nongovernment organization, PIU-KSHIP = Project Implementation Unit of Karnataka State Highways Improvement Project, RP = resettlement plan, SPS = Safeguard Policy Statement.  
Source: Asian Development Bank.

### C. Evaluation

71. The project inception mission will be fielded soon after the legal agreements for the project are declared effective; thereafter, regular reviews will follow at least annually. As necessary, special loan administration missions and a midterm review mission will be fielded, under which any changes in scope or implementation arrangement may be required to ensure achievement of project objectives. The PIU-KSHIP will monitor project implementation in accordance with the schedule and time-bound milestones, and keep ADB informed of any significant deviations that may result in the milestones not being met. A project completion report<sup>21</sup> will be submitted by the PIU-KSHIP within 3 months of physical completion of the project, providing detailed evaluation of the progress of implementation, costs, consultant performance, social and economic impact, and other details as requested by ADB.

<sup>21</sup> Project completion report format is available at <http://www.adb.org/sites/default/files/pai-6-07-a.pdf>

#### D. Reporting

72. The PIU-KSHIP will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) semi-annual social monitoring reports; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure projects continue to be both viable and sustainable, project financial statements and the executing agency's audited financial statements, together with the associated auditor's report, should be adequately reviewed.

#### E. Stakeholder Communication Strategy

73. The project will follow ADB's standard consultation and disclosure requirements and provide relevant information, including information from the above documents, in a timely manner, in an accessible place, and in a form and languages understandable to all affected people and other stakeholders. If the affected people are illiterate, other appropriate communication methods must be used, such as direct verbal communications through one-on-one meetings or other meetings, and grievance redress meetings. In addition, with the support of the resettlement implementing NGOs, the PIU-KSHIP will distribute leaflets outlining key project impacts and entitlements to affected persons, post the contact information about the grievance redress committee, conduct information sessions at the outset of project implementation, and follow up with consultation meetings to update road residents of civil work progress throughout the life of the project. The KSHIP already has a website in both Kannada and English outlining the features of the project ([www.kship.in](http://www.kship.in)).

74. Salient information regarding the project, including scope, general progress status, beneficiaries, invitation for bid, and consultant recruitment notices, will be provided to the public. The information will be made available and updated through the official website of the PIU-KSHIP. The safeguard documents, i.e., initial environmental examination reports, including the EMP and the resettlement plans, will be posted on the ADB website.

### X. ANTICORRUPTION POLICY

75. The Government of India, the State Government of Karnataka, the KPWD, and the PIU-KSHIP are advised of ADB's Anticorruption Policy (1998, as amended to date). Consistent with its commitment to good governance, accountability, and transparency, the implementation of the project shall adhere to ADB's Anticorruption Policy. ADB reserves the right to review and examine, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project. In this regard, investigation of government officials, if any, would be requested by ADB to be undertaken by the government.

76. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the loan regulations, agreements, and the bidding documents. All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the State of Karnataka, the KPWD, and the PIU-KSHIP, and all contractors, suppliers, consultants, and other service providers as they relate to the project. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be

awarded any contract under the project.<sup>22</sup>

77. Karnataka has been among the first states in the country to enact specific legislation for anticorruption measures through the Karnataka Lokayukta Act (Act 4 of 1985), which appoints an anticorruption ombudsman with specific powers. Karnataka has also legislated the Karnataka Transparency in Public Procurements Act (Act 29 of 2000) that governs all public procurement and ensures transparency. The PIU-KSHIP will follow norms and standards prescribed in the legislations and executive orders issued by the state government from time to time, which emphasize integrity and transparency in managing of works. To achieve this goal, the e-tendering system has been introduced in 2009. Other initiatives such as the computerization of accounts and the web-based work progress monitoring system have been developed to enhance transparency.

78. ADB's Anticorruption Policy designates the Office of Anticorruption and Integrity<sup>23</sup> as the point of contact to report allegations of fraud or corruption among ADB-financed projects or its staff. The Office of Anticorruption and Integrity is responsible for all matters related to allegations of fraud and corruption. For a more detailed explanation, refer to the Anticorruption Policy and Procedures. Anyone coming across evidence of corruption associated with the project may contact the Office of Anticorruption and Integrity by telephone, facsimile, mail, or email at the following numbers/addresses:

- by email at [integrity@adb.org](mailto:integrity@adb.org) or [anticorruption@adb.org](mailto:anticorruption@adb.org)
- by phone at +63 2 632 5004
- by fax to +63 2 636 2152
- by mail at the following address (**Please mark correspondence Strictly Confidential**):  
 Office of Anticorruption and Integrity  
 Asian Development Bank  
 6 ADB Avenue  
 Mandaluyong City 1550  
 Metro Manila, Philippines

79. The website of the PIU-KSHIP will provide updated, detailed information on project implementation. For example, it will include procurement-related information such as ongoing tenders, list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and/or services procured.

## XI. ACCOUNTABILITY MECHANISM

80. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>24</sup>

<sup>22</sup> ADB's Integrity Office website is available at <http://www.adb.org/integrity/unit.asp>

<sup>23</sup> ADB's Integrity Office website is available at <http://www.adb.org/integrity/unit.asp>

<sup>24</sup> For further information, see <http://www.adb.org/Accountability-Mechanism/default.asp>



**XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

<b>Sl. No.</b>	<b>Date</b>	<b>Description of Revisions</b>
1.	30 June 2016	First draft of Fact Finding Mission

## PROCUREMENT PLAN

### Basic Data

<b>Project Name:</b> Karnataka State Highways Improvement III Project	<b>Executing Agency:</b> Government of Karnataka, acting through Public Works, Ports, and Inland Water Transport Department
<b>Country:</b> India	<b>Loan Number:</b>
<b>Loan Amount:</b> \$346,000,000	<b>Date of First Procurement Plan:</b> 30 June 2016
	<b>Date of this Procurement Plan:</b> <u>23 October 2017</u>

### A. Process Thresholds, Review, and 18-Month Procurement Plan

#### 1. Project Procurement Thresholds

1. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

#### Procurement of Goods and Works

Method	Threshold
International Competitive Bidding for Works	Equal to or above \$40 million
International Competitive Bidding for Goods	Equal to or above \$1 million
National Competitive Bidding for Works	Below \$40 million
National Competitive Bidding for Goods	Below \$1 million
Shopping for Goods	Below \$100,000

#### 2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
<b>Procurement of Works and Goods</b>		
International Competitive Bidding for Works	Prior	
International Competitive Bidding for Goods	Prior	
National Competitive Bidding for Works	Prior	
National Competitive Bidding for Goods	Prior	
Shopping for Goods	Prior/Post	
<b>Recruitment of Consulting Firms</b>		
Quality- and Cost-Based Selection (QCBS)	Prior	

#### 3. Goods and Works Contracts Estimated to Cost More Than \$1 Million

3. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value	Procurement Method	Prequalification of Bidders (Y/N)	Advertisement Date (Quarter/Year)	Comments
Road construction, including culverts, bridges, and associated works	\$100–\$150 million	ICB	N	Q2/2017	3 contract packages
Road safety measures	\$12 million	NCB	N	Q3/2018	1 contract package

ICB = international competitive bidding, N = no, NCB = national competitive bidding, Q = quarter, Y = yes.

#### 4. Consulting Services Contracts Estimated to Cost More Than \$100,000

4. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value	Recruitment Method	National or International Assignment	Advertisement Date (Quarter/Year)	Comments
Independent Engineering Consultant	\$3.00 million	QCBS (80:20)	International	Q3/2016	Package 1
Independent Engineering Consultant	\$3.00 million	QCBS (80:20)	International	Q3/2016	Package 2
Independent Engineering Consultant	\$3.00 million	QCBS (80:20)	International	Q3/2016	Package 3
Implementation Support	\$2.00 million	QCBS (80:20)	National	Q1/2018	
Road safety audit and design	\$2.50 million	QCBS (80:20)	International	Q3/ 2018	

Q = quarter, QCBS = quality- and cost-based selection.

**B. Indicative List of Packages Required under the Project**

5. The following table provides an indicative list of all procurement (goods, works, and consulting services) over the life of the project. Contracts financed by the borrower and others are also indicated, with an appropriate notation in the comments section.

<b>General Description</b>	<b>Estimated Value (Cumulative)</b>	<b>Estimated Number of Contracts</b>	<b>Procurement Method</b>	<b>Domestic Preference Applicable</b>	<b>Comments</b>
Works	\$400 million	3	ICB	No	
Works	\$12 million	1	NCB	No	
Consulting Services	\$18 million	11	QCBS (80:20)	Full Technical Proposal	

ICB = international competitive bidding, NCB = national competitive bidding, QCBS = quality- and cost-based selection.

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project is aligned with:</b> Mobility, and accessibility to economic opportunities, improved (Three-Year Action Agenda) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Road transport efficiency and safety in Karnataka improved	By 2024 a. Movement of people and goods on rehabilitated roads as measured by annual average daily traffic increased by 40%. (2015 baseline: 3967 PCU/day)  b. Average travel time on the project roads reduced by 20%. (2015 baseline: 1.8 minutes/km)  c. Vehicle operating cost (economic) on the project roads reduced by 25%. (2015 baseline: Rs7.70 per km for cars and Rs20.60 per km for medium trucks)  d. Fatalities on the project roads reduced by 10%. (2015 baseline: 0.05 fatalities/PCU/day).	a–d. Completion report submitted by independent engineering consultant and approved by KPWD	Transport demand is impacted by severe economic reversals in Karnataka.
<b>Outputs</b> 1. State highways upgraded	By 2023: 1a. At least 418 km of state highways upgraded to 2-lane with paved shoulders or 4-lanes under hybrid-annuity contracts (2017 baseline: 0)  1b. Road safety features benefitting the elderly, women, children and the - disabled installed in at least 22 locations <sup>b</sup> . (2017 baseline: 0)	1a.–b. Quarterly progress reports by the project implementation unit	Major turnover in key project staff during implementation

Niti Aayog, Government of India. 2017. *Three Year Action Agenda (2017–18 to 2019–20)*. New Delhi.

<sup>b</sup> Features include covered drains, footpaths, marked pedestrian crossings and walkways, safety warning signs, bus shelters, and safety signage.

2. Road safety measures on state highways installed	<p>By 2023:</p> <p>2a. Road safety audit completed on state highways in the core road network. (2017 baseline: Not completed)</p> <p>2b. Accident mitigation measures implemented for at least 12 identified accident spots. (2017 baseline: 0)</p>	2a–2b. Quarterly progress reports by the project implementation unit	
3. Institutional capacity and efficiency of KPWD improved	<p>By 2023:</p> <p>3a. Certification documentation and audit for ISO 9001:2008 completed in at least 150 sub-divisional offices of KPWD (2017 baseline: 0)</p> <p>3b. Certification and documentation and audit for ISO 14001:2015 completed in at least 40 divisional offices in KPWD (2017 baseline: 0)</p> <p>By 2019:</p> <p>3c. Public response system and complaint-handling mechanism established (2017 baseline: Not established)</p>	3a.–3c. Completion certificate by KPWD	

#### Key Activities with Milestones

##### 1. State highways upgraded.

- 1.1 Select, engage and mobilize Independent Engineering Consultants by Q1 2018.
- 1.2 Award contracts for upgrading about 418 km of state highways by Q2 2018 and complete construction by Q4 2023.
- 1.3 Conduct post-implementation measurement of indicators by KPWD by Q4 2024.

##### 2. Road safety measures on state highways installed.

- 2.1 Procure consultants for conducting road safety audit by Q4 2018.
- 2.2 Complete road safety audit and identification of improvement measures by Q1 2020.
- 2.3 Complete implementation of identified road safety measures by Q4 2023.

##### 3. Institutional capacity and efficiency of KPWD improved.

- 3.1 Mobilize consultants for public response system by Q4 2018.
- 3.3 Commence design of public response system and complaint handling mechanism by Q1 2019.
- 3.4 Establish public response system and complaint handling mechanism by Q4 2019.
- 3.5 Mobilize consultants for systems assessment and certification by Q1 2021.

- 3.6 Commence certification audit and documentation by Q2 2022.
- 3.7 Complete implementation of ISO 9001:2015 and ISO 14001:2015 completed in identified divisional and sub-divisional offices of KPWD by Q1 2023.

**Project Management Activities**

Establish project implementation units by Q1 2018.

Complete RP activities by Q3 2019.

Make available counterpart funds by Q1 2018.

**Inputs**

Asian Development Bank: \$346 million loan

Government of Karnataka: \$202 million

Private sector: \$107 million

**Assumptions for Partner Financing**

Not applicable

ISO = International Organization for Standardization; km = kilometer; KPWD = Karnataka Public Works, Ports, and Inland Water Transport Department; PCU = passenger car unit; Q = quarter;  
Source: Asian Development Bank.

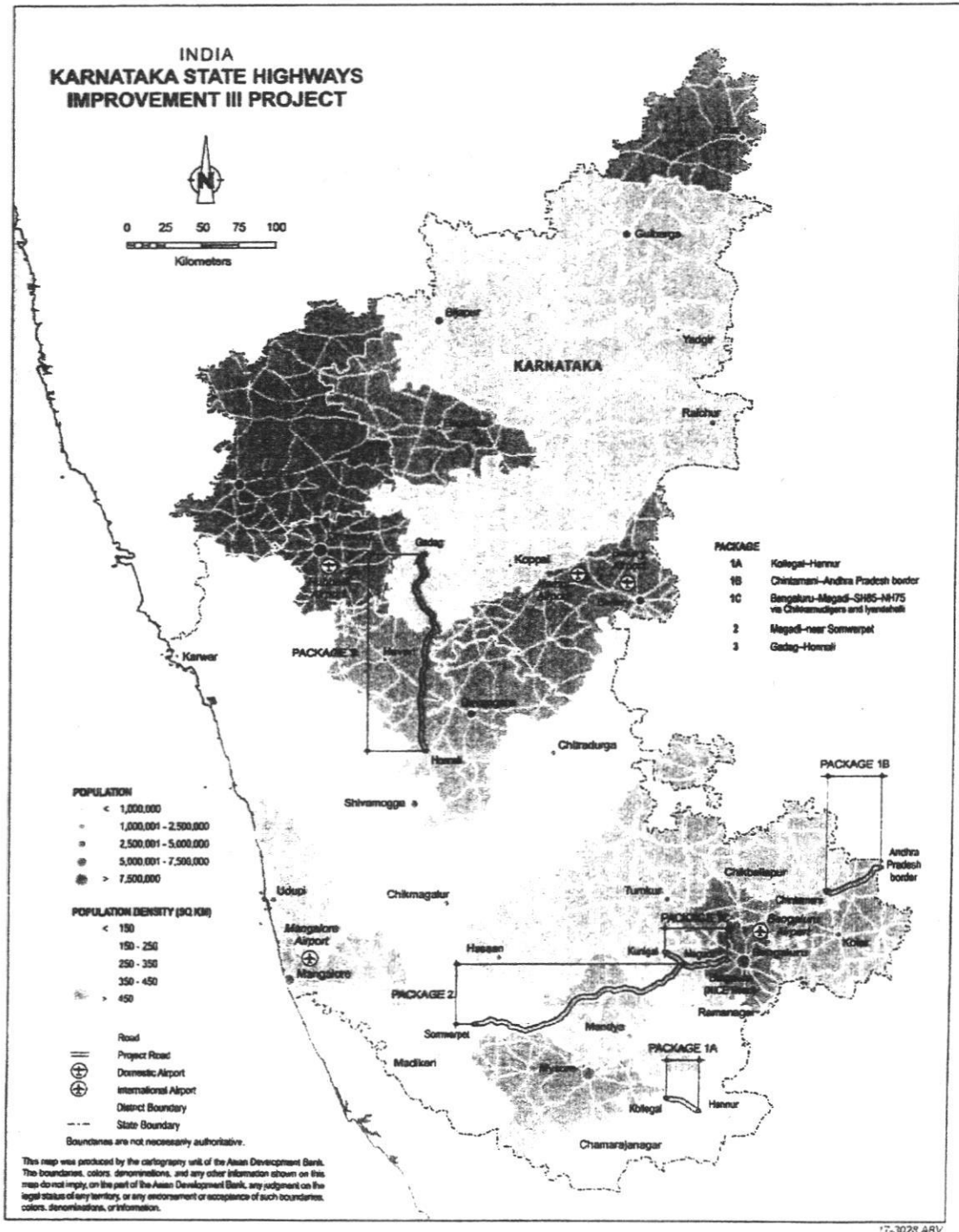
## LIST OF PROJECT ROADS

Package Number	Name of Road	SH No.	District	Length (km)
1a	Kollegal – Hannur	SH79	Chamarajanagar	23.8
1b	Chintamani – Andhra Pradesh Border	SH82	Chikkabalapura, Kolar	39.8
1c	Bengaluru (NICE Road) – Magadi – Kunigal	SH85 and MDR	Bengaluru Urban, Ramanagara	50.74.0
2	Magadi – (Near) Somwarpet	SH85	Ramanagara, Tumkur, Mandya, Mysore, Hasan	1665.05
3	Gadag – Honnali	SH57 and SH26	Gadag, Haveri, Davengere	138.2
			<b>Total</b>	<b><u>418.6</u> 418.3</b>

km = kilometer, MDR = major district road, SH = state highway.  
Source: Asian Development Bank.



### MAP OF PROJECT ROADS



## DESIGN STANDARDS

The design standards and general design considerations for all subprojects include the following:

### Applicable Design Standards

- (1) Two lanes with paved shoulders – IRC: SP: 73 (2015)
- (2) Four lanes divided carriageway – IRC: SP: 84 (2014)

### A. Road Geometry

Sl. No.	Design Specification	Unit	Proposed Design Standards		
1	Design Speed	km/hr	Plain / Rolling		
	Plain/Rolling (Open Country)		100 / 80		
	Plain/Rolling (Built-up Area)		60 / 50		
	Mountainous/Steep (Open Country)		60 / 40		
	Mountainous/Steep (Built-up Area)		40 / 30		
2	Lane Width	m	3.5		
3	Raised Median (for 4-lane, inclusive of shyness)	m	2.5		
4	Footpath (in Built-up area)	m	2 to 2.5		
5	Shoulder Width (Terrain: plain/rolling)	m	<b>Type</b>	<b>Paved</b>	<b>Unpaved</b>
			Rural	1.5	1.0 / 2.0
			Built-up	2.0	–
6	Camber	%	<b>Flexible</b>		
			Carriageway/Paved Shoulders		
			Earthen Shoulders		
7	Gradients	%	<b>Ruling</b>	<b>Limiting</b>	
			(a) Plain and Rolling	2.5	3.3
			(b) Mountainous	5.0	6.0
8	Minimum Horizontal Curve Radius	m	<b>Plain &amp; Rolling</b>	<b>Mountainous &amp; Steep</b>	
			Desirable Minimum	400	150
			Absolute Minimum	250	75
9	Sight Distance		<b>100 km/hr</b>	<b>80 km/hr</b>	
			Stopping Sight Distance	180	120
			Intermediate Sight Distance	360	240
			Overtaking Sight Distance	640	470

h = hour, km = kilometer, m = meter.

### B. Pavement Design: Flexible Pavement

- Applicable code: IRC – 37 – 2012
- Design life: 20 years
- Minimum traffic loading: 20 MSA

### C. Bridges / Structures:

- Applicable codes: IRC: 5: (2015), IRC: 112 (2011), IRC: 6 (2014), IRC: SP: 13 (2004) and other applicable IRC, manuals
- Design flood frequency: 100 years

**D. Others:**

- Locations of signs shall conform to IRC:67-2012 and Section 800 of MORTH specifications
- Roadside drainage shall be in accordance with IRC: SP:42-2014 and IRC: SP:50-2013

## ARTICLE 23

### PAYMENT OF BID PROJECT COST

#### 23.1 Bid Project Cost

The Parties expressly agree that the cost of construction of the Project, as on the Bid Date, which is due and payable by the Authority to the Concessionaire, shall be deemed to be Rs 1,144.5 Crore (Rupees one thousand one hundred and fourty four crores fifty lakhs) (The "Bid Project Cost")<sup>5</sup>. The Parties further agree that the Bid Project Cost specified hereinabove for payment to the Concessionaire shall be inclusive of the cost of construction, interest during construction, working capital, physical contingencies and all other costs, expenses and charges for and in respect of construction of the Project, save and except any additional costs arising on account of variation in Price Index, Change of Scope, Change in Law, Force Majeure or breach of this Agreement, which costs shall be due and payable to the Concessionaire in accordance with the provisions of the Agreement. For the avoidance of doubt, the Bid Project Cost specified herein represents the amount due and payable by the Authority to the Concessionaire and may be less than, equal to, or more than the Estimated Project Cost.

#### 23.2 Adjusted Bid Project Cost

23.2.1 The Bid Project Cost specified in Clause 23.1 shall be revised from time to time in accordance with the provisions of this Clause 23.2 to reflect the variation in Price Index occurring after the Reference Index Date immediately preceding the Bid Date.

23.2.2 The Bid Project Cost adjusted for variation between the Price Index occurring between the Reference Index Date preceding the Bid Date and the Reference Index Date immediately preceding the Appointed Date shall be deemed to be the Bid Project Cost at commencement of construction.

23.2.3 For every month occurring after the Appointed Date, the Authority shall compute the variation in Price Index occurring between the Reference Index Date preceding the Bid Date and the Reference Index Date preceding the date of Invoice, and shall express the latter as a multiple of the former (the "Price Index Multiple"). All Invoices to be submitted by the Concessionaire to the Authority for and in respect of the Construction Period shall be the product of the relevant proportion of the Bid Project Cost and the Price Index Multiple applicable on the date of Invoice. For the avoidance of doubt and by way of illustration, if (a) the Price Index on the Reference Index Date preceding the Bid Date, say January 31, 2016, is 200 (two hundred); (b) the Invoice is submitted on October 15, 2017; and (c) the Price Index as on September 30, 2017 is 210 (two hundred and ten), then the Price Index Multiple for determination of the amount due in respect of such Invoice shall be 1.05 (one point zero five).

#### 23.3 Payment of Bid Project Cost

23.3.1 75% (seventy five per cent) of the lower of (i) Estimated Project Cost and (ii) Bid Project Cost, shall be due and payable to the Concessionaire in 5 (five) equal installments of 15% (fifteen per cent) each during the Construction Period in accordance with the provisions of Clause 23.4.

23.3.2 The Bid Project Cost less a sum of 75% of the lower of (i) Estimated Project Cost and (ii) Bid Project Cost, shall be due and payable in 14 (fourteen) biannual installments commencing from the 180th (one hundred and eightieth) day of COD in accordance with the provisions of Clause 23.6.

#### 23.4 Payment during Construction Period

Upon receiving a report from the Independent Engineer certifying the achievement of the below mentioned Payment Milestones, the Authority shall disburse, within 45 (forty five) days of the receipt of each such report, an installment equal to 15% (fifteen per cent) of the lower of (i) Estimated Project Cost and (ii) Bid Project Cost

<sup>5</sup> Bid Project Cost shall be the amount specified as the Bid Price in the Price Bid of the Successful Bidder



For the purpose of this Clause 23.4, the Payment Milestone for release of payment during Construction Period shall be as under:

- a) I (first) Payment Milestone - On achievement of 20% Physical Progress
- b) II (second) Payment Milestone - On achievement of 40% % Physical Progress
- c) III (third) Payment Milestone - On achievement of 60% Physical Progress
- d) IV (fourth) Payment Milestone - On achievement of 75% Physical Progress
- e) V (fifth) Payment Milestone - On achievement of 90% Physical Progress

The level of Physical Progress shall be certified by the Independent Engineer according to procedure laid down in Schedule S of this Agreement. Payment will be made upon percent drawdown on Equity corresponding to percentage of Physical Progress as per Payment Milestones, required for project implementation and submission by the Concessionaire to the Independent Engineer of a certificate by the Statutory Auditor of the Concessionaire to such effect; and receipt of certificate from the Escrow Bank to that effect. For avoidance of doubt and by way of illustration, Payment will be made upon 20% drawdown on Equity corresponding to 20% of Physical Progress as per Payment Milestone I. Provided that in case of Reduction of Scope, the effective amount for payment during construction period shall be recalculated to account for the changed scope. In any event of excess payment, such payment shall be recovered from next payable payment during construction period or shall be refunded by the Concessionaire within 60 days of such notice served by Authority

### 23.5 Bonus on early completion

In the event that the Concessionaire shall achieve COD more than 30 (thirty) days prior to the Scheduled Completion Date, the Authority shall pay to the Concessionaire a bonus equal to 0.5% (Zero point five per cent) of the sum calculated as the Bid Project Cost less 75% of the lower of (i) Estimated Project Cost and (ii) Bid Project Cost, for every month by which COD shall precede the Scheduled Completion Date. The Bonus shall be due and payable to the Concessionaire along with the 1<sup>st</sup> (first) Annuity Payment.

### 23.6 Annuity Payments during Operation Period

23.6.1 The (the "Completion Cost" shall be the summation of A, B, C, D, E, and F below:

- (a) 20% of the Bid Project Cost adjusted for the Price Index Multiple as applicable on the Reference Index Date preceding the date of report confirming 20% Physical Progress.
- (b) Another 20% of the Bid Project Cost adjusted for the Price Index Multiple as applicable on the Reference Index Date preceding the date of report confirming 40% Physical Progress.
- (c) Another 20% of the Bid Project Cost adjusted for the Price Index Multiple as applicable on the Reference Index Date preceding the date of report confirming 60% Physical Progress.
- (d) Another 15% of the Bid Project Cost adjusted for the Price Index Multiple as applicable on the Reference Index Date preceding the date of report confirming 75% Physical Progress.
- (e) Another 15% of the Bid Project Cost adjusted for the Price Index Multiple as applicable on the Reference Index Date preceding the date of report confirming 90% Physical Progress.
- (f) Another 10% of the Bid Project Cost adjusted for the Price Index Multiple as applicable on the Reference Index Date preceding the COD.

The Parties agree that amount payable under clause 23.4 shall be deemed to have been paid during the Construction Period as a part of Completion Cost and the balance remaining shall be due and payable during the Operation Period in accordance with the provisions of Clause 23.6.2.

23.6.2 The Completion Cost remaining to be paid in pursuance of the provisions of Clause 23.6.1 ("Balance Completion Cost") shall be due and payable in biannual installments over a period of 7 (seven) years commencing from COD, (the "Annuity Payments"). The 1st (first) installment of Annuity Payments shall be due and payable within 15 (fifteen) days of the 180<sup>th</sup> (one hundred and eightieth) day of COD and the remaining installments shall be due and payable within 15 (fifteen) days of completion of each of the successive six months ("the Annuity Payment Date").

Chief Project Officer  
P.I.U., K.S.H.I.P.

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23.6.3 Each of the Annuity Payments due and payable during the years following the COD shall be as under<sup>6</sup>:

Annuity following the COD	Percentage of Balance Completion Cost
1st Annuity	0.99%
2nd Annuity	1.53%
3rd Annuity	2.17%
4th Annuity	2.81%
5th Annuity	3.58%
6th Annuity	4.35%
7th Annuity	5.27%
8th Annuity	6.30%
9th Annuity	7.51%
10 <sup>th</sup> Annuity	8.95%
11 <sup>th</sup> Annuity	10.64%
12 <sup>th</sup> Annuity	12.69%
13 <sup>th</sup> Annuity	15.15%
14 <sup>th</sup> Annuity	18.06%

Each of the biannual installments payable hereunder shall be paid along with interest as specified in Clause 23.6.4

23.6.4 Interest shall be due and payable on the reducing balance of Balance Completion Cost at an interest rate equal to the applicable Bank Rate plus 3% (three per cent). Such interest shall be due and payable biannually along with each instalment specified in Clause 23.6.3. For the avoidance of doubt and by way of illustration, the Parties agree that interest on the Balance Completion Cost, calculated from COD and until the 180th (one hundred and eightieth) day of COD, shall be due and payable to the Concessionaire along with the first Annuity Payment and interest on 99.01% (ninety nine point zero one per cent) of the Balance Completion Cost, calculated from first Annuity payment date and until the 1st (first) anniversary of COD, shall be due and payable along with the second Annuity Payment due and payable under this Agreement. The Parties further agree that interest shall be calculated monthly, based on the number of days a particular Bank Rate was applicable during the period of calculation. For the purpose of illustration, assuming that the balance annuity remaining to be paid is Rs 100 crores on the 1st Annuity Payment Date, the applicable Bank Rate for the first 75 days is 8% and thereafter it is revised to 7.5% and remains unchanged till the 2nd Annuity Payment Date, the interest would be calculated as  $((100 * 11\% * 75) / 365) + ((100 * 10.5\% * 105) / 365)$ . For the avoidance of doubt, the Interest would be calculated on simple interest basis and no compounding of the same would be undertaken.

### 23.7 O&M Payments

23.7.1 The Parties acknowledge and agree that all O&M Expenses shall be borne by the Concessionaire and in lieu thereof, a lump sum financial support in the form of biannual payments shall be due and payable by the Authority, which shall be computed as 1.5% of the Completion Cost, in accordance with the provisions of this Clause 23.7 (the "O&M Payments"). The Parties further acknowledge and agree that any O&M Expenses in excess of the O&M Payments shall be borne solely by the Concessionaire, save and except as expressly provided in this Agreement. For avoidance of doubt, it is clarified that the O&M Payments will be subject to any Change in Scope of the Project of the Concessionaire under Article 16 of this Agreement.

23.7.2 Subject to the Provisions of Clause 23.7.3, the O&M Payments due and payable to the Concessionaire shall be paid in 2 (two) equal biannual installments and disbursed by the Authority together with the corresponding installments of Annuity Payments.

23.7.3 Each installment of O&M Payment shall be the product of the amount determined in Clause 23.7.2 and the percentage of Balance Completion Cost specified in Clause 23.6.3.

<sup>6</sup> The schedule may be customized based on the duration of the Operations Period

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with Clause 23.7.1 and the Price Index Multiple on the Reference Index Date preceding the due date of payment thereof. For the avoidance of doubt and by way of illustration, if (i) the Computed lump sum O&M support for the first year is Rs.1 Cr. (Rupees one crore); (ii) the O&M Payment is to be determined for the 2nd (second) year of the Operation Period; (iii) the Price Index on the Reference Index Date preceding the Bid Date is 200 (two hundred) and the Price Index on the Reference Index Date preceding the due date of payment is 240 (two hundred forty), implying a Price Index Multiple of 1.2 (one point two), then the O&M Payment for that installment shall be the product of Computed lump sum O&M support for the first year and the applicable Price Index Multiple, which product shall be Rs.1.2 cr. (Rupees one point two crore)

### 23.8 Mobilization Advance

The Authority shall, on request of the Concessionaire, made at any time after expiry of 60 (sixty) days from the Appointed Date, and upon the Concessionaire furnishing a Bank Guarantee in a form satisfactory to the Authority, make an advance payment in a sum not exceeding 10% (ten per cent) of the Bid Project Cost (the "Mobilization Advance"). The Mobilization Advance shall be paid by the Authority within 30 (thirty) days of receipt of a request in this behalf from the Concessionaire. The rate of interest on the Mobilization Advance shall be equal to the Bank Rate, compounded annually. The Mobilization Advance shall be deducted by the Authority in 4 (four) equal instalments from each of the payments to be made by the Authority to the Concessionaire in accordance with the provisions of Clause 23.4 and the interest thereon shall be recovered as the 5th (fifth) and final instalment upon expiry of 120 (one hundred and twenty) days commencing from the date of recovery of the 4th (fourth) instalment.

### 23.9 Treatment of incomplete works

- 23.9.1 The Parties acknowledge and agree that in the event COD occurs upon issuance of a Provisional Certificate, the Annuity Payments and O&M Payments specified in this Article 23 shall be made as if all works comprising the Project have been completed. The works remaining incomplete shall be completed by the Concessionaire in accordance with the provisions of this Agreement and thereupon, the Completion Certificate shall be issued forthwith.
- 23.9.2 In the event the Authority determines that any incomplete works referred to in Clause 23.9.1 are not required to be completed for any reason, it shall modify the Scope of the Project in accordance with the provisions of Article 16 and the Completion Cost, Annuity Payments and O&M Payments shall be reduced on account of such Change of Scope as per the provisions of Article 16.



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