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LOAN NUMBER 3187-IND

LOAN AGREEMENT  
(Ordinary Operations)  
(Punjab Development Finance Program)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 28 NOVEMBER 2014

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IND 45288

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 28 November 2014 between INDIA acting by its President ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 01 September 2014 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's Punjab Development Finance Program ("Program");

(B) the Borrower has applied to ADB for a loan for the purposes of the Program;

(C) the Program will be carried out by the State of Punjab ("State") acting through its Finance Department ("Program 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

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

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(49) is deleted and the following is substituted therefor:

49. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

- (c) Section 2.01(51) is deleted and the following is substituted therefor:

51. The term “Program Executing Agency” means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

- (d) The term “Project Executing Agency” wherever it appears in the Loan Regulations shall be substituted by the term “Program Executing Agency”.

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

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

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

- (f) Section 3.06 is deleted and the following is substituted therefor:

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

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

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

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

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

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

(a) "Counterpart Funds" means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 7 of Schedule 4 to this Loan Agreement;

(b) "Deposit Account" means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;

(c) "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports of ineligible items specified in Attachment 1 to Schedule 3 to this Loan Agreement; and

- (iii) imports financed by official international or bilateral aid agencies or any other loans or grants made by ADB;
- (d) “Eligible Items” means the Eligible Imports and services in connection with the delivery and installation of such imports;
- (e) “Finance Department” means the Finance Department of the State;
- (f) “Financing Arrangements” means the arrangements between the Borrower and the State as per current policy of the Borrower, and acceptable to ADB;
- (g) “First Tranche” means the portion of the proceeds of the Loan in an amount of fifty million Dollars (\$50,000,000) to be withdrawn pursuant to, and subject to, the provisions of paragraph 4 of Schedule 3 to this Loan Agreement;
- (h) “FPMU” means the Fiscal Policy and Management Unit in the Finance Department set up by the State under First Tranche Policy Actions, headed by a senior State government official not below the rank of a Secretary as the Program director, that will be responsible to assist various line departments implementing the Program;
- (i) “FRBM Rules” in relation to this Program means the Fiscal Responsibility and Budget Management Rules approved by the Program Executing Agency under First Tranche Policy Actions;
- (j) “FY” means the fiscal year ending of the Borrower, in relation to any year, the 12 month period starting from 1 April of such year and ending on 31 March of the following year;
- (k) “GSDP” means gross state domestic product;
- (l) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);
- (m) “MTEF” means the Medium Term Expenditure Framework;
- (n) “MTFF” means the Medium Term Fiscal Framework;
- (o) “Policy Actions” means the actions to be met by the Borrower and the State for the release of First Tranche, Second Tranche, and Third Tranche, as applicable;
- (p) “Policy Matrix” means the policy matrix attached to the Policy Letter as agreed between the Borrower, State, and ADB and included in the RRP;
- (q) “Power Department” means the Power Department in the State;
- (r) “Program” means the Punjab Development Finance Program;
- (s) “Program Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means the State acting through its Finance Department or

any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;

(t) “PSPCL” means Punjab State Power Corporation Limited;

(u) “RBI” means the Reserve Bank of India, the central bank of the Borrower;

(v) “RRP” means the Report and Recommendation of the President to the ADB Board for the Program;

(w) “Second Tranche” means the portion of the proceeds of the Loan in an amount not exceeding fifty million Dollars (\$50,000,000) to be withdrawn at any time after the withdrawal of the First Tranche pursuant to, and subject to, the provisions of paragraph 5 of Schedule 3 to this Loan Agreement;

(x) “Strategy Paper” means the strategy paper on alternative plans to improve targeting of agricultural power subsidies, approved by the State under First Tranche Policy Actions;

(y) “TA” means the technical assistance in an amount of \$400,000 provided by the ADB to the Borrower for Supporting the Punjab Development Finance Program; and

(z) “Third Tranche” means the balance of the proceeds of the Loan remaining in the Loan account after the utilization of the First Tranche and the Second Tranche to be withdrawn pursuant to, and subject to, the provisions of paragraph 6 of Schedule 3 to this Loan Agreement.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred million Dollars (\$200,000,000), 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 12 years, and a grace period as defined in paragraph (c) of this Section.

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

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

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

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

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

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

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

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

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

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

Section 3.01. The Borrower shall cause the State to cause the proceeds of the Loan to be applied to the financing of expenditures for the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be 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. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

### **ARTICLE IV**

#### **Particular Covenants**

Section 4.01. (a) The Borrower shall cause the State to cause the Program to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.

(b) In the carrying out of the Program, the Borrower shall perform, or cause by the Program Executing Agency to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. The Borrower shall make available or cause to be made available by the Program Executing Agency, promptly as needed, the funds, facilities, services, and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Program and for the operation and maintenance of the Program facilities.

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

Section 4.04. (a) The Borrower shall maintain, or cause to be maintained by the Program Executing Agency, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to indicate the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.



Section 4.05. (a) As part of the reports and information referred to in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished by the Program Executing Agency, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished by the Program Executing Agency, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

Section 4.06. (a) In so far as it relates to the Program, 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 Program, no rights or obligations under the Financing Arrangements shall be assigned, amended, abrogated or waived without prior notice to ADB.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the Borrower shall have met the Policy Actions under the Policy Matrix for the release of the First Tranche.

Section 5.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Miscellaneous**

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

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

For the Borrower

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

Facsimile Number:

+91-11 2309-2511.

For ADB

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

Facsimile Numbers:

+63 2 636-2444

+63 2 636-2337.

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   
\_\_\_\_\_  
TARUN BAJAJ  
Joint Secretary (MI)  
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
M. TERESA KHO  
Country Director

## **SCHEDULE 1**

### **Description of the Program**

1. The principal objective of the Program is to improve development financing in the State. The Program is described in more detail in the Policy Letter.
2. The Program is expected to be completed by 31 December 2016.

**SCHEDULE 2****Amortization Schedule****(Punjab Development Finance Program)**

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.

| Date Payment Due | Installment Share<br>(Expressed as a % based on 10% annuity) |
|------------------|--|
| 15 May 2018      | 2.247090   |
| 15 November 2018 | 2.359445   |
| 15 May 2019      | 2.477417   |
| 15 November 2019 | 2.601288   |
| 15 May 2020      | 2.731352   |
| 15 November 2020 | 2.867920   |
| 15 May 2021      | 3.011316   |
| 15 November 2021 | 3.161881   |
| 15 May 2022      | 3.319975   |
| 15 November 2022 | 3.485974   |
| 15 May 2023      | 3.660273   |
| 15 November 2023 | 3.843287   |
| 15 May 2024      | 4.035451   |
| 15 November 2024 | 4.237223   |
| 15 May 2025      | 4.449085   |
| 15 November 2025 | 4.671539   |
| 15 May 2026      | 4.905116   |
| 15 November 2026 | 5.150371   |
| 15 May 2027      | 5.407890   |
| 15 November 2027 | 5.678285   |
| 15 May 2028      | 5.962199   |
| 15 November 2028 | 6.260309   |
| 15 May 2029      | 6.573324   |
| 15 November 2029 | <u>6.901990</u>  |
| <b>TOTAL</b>     | <b>100.000000</b>  |

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

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

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

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

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

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

### SCHEDULE 3

#### Withdrawal of Loan Proceeds

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.
2. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.  
  
(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be greater than the amount of the Loan expected to be disbursed during such year.  
  
(c) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (Deposit Account) at the RBI into which all withdrawals from the Loan Account shall be deposited.  
  
(b) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.
4. The Borrower may withdraw the First Tranche upon effectiveness of this Loan Agreement.
5. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account for the Second Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; (b) the Policy Actions that were met for the release of the First Tranche, as specified in Attachment 2 to this Schedule, continue to be complied with by the Borrower; and (c) the Borrower has met the Policy Actions for the release of the Second Tranche as specified in Attachment 3 to this Schedule.
6. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account for the Third Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; (b) the Policy Actions that were met for the release of the First Tranche and the Second Tranche, as specified in Attachment 2 and Attachment 3 to this Schedule, respectively, continue to be complied with by the Borrower; and (c) the Borrower has met the Policy Actions for the release of the Third Tranche as specified in Attachment 4 to this Schedule.

**Negative List**

No withdrawals will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

**Table: Ineligible Items**

| <b>Chapter</b> | <b>Heading</b> | <b>Description of Items</b>   |
|----------------|----------------|---|
| 112            |                | Alcoholic beverages   |
| 121            |                | Tobacco, unmanufactured; tobacco refuse   |
| 122            |                | Tobacco, manufactured (whether or not containing tobacco substitute)  |
| 525            |                | Radioactive and associated materials  |
| 667            |                | Pearls, precious and semiprecious stones, unworked or worked  |
| 718            | 718.7          | Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors   |
| 728            | 728.43         | Tobacco processing machinery  |
| 897            | 897.3          | Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971            |                | Gold, nonmonetary (excluding gold ore and concentrates)   |

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.



**Policy Actions for Release of the First Tranche****I. Fiscal Management Measures**

1. FRBM Rules shall have been drafted and approved by Finance Department for effective implementation of the provisions and targets under FRBM Act.
2. FPMU in the Finance Department shall have been set up by the State and made fully operational to supervise (i) project appraisal and evaluation, (ii) debt and cash management, and (iii) overall program implementation to strengthen fiscal management and improve effectiveness of public resources.
3. A roadmap for the introduction of the gender-responsive MTEF shall have been approved by Finance Department to improve allocative efficiency of scarce public resources.

**II. Facilitating Expenditure Rationalization Measures with a Focus on Power Subsidy**

1. PSPCL shall have submitted agriculture power feeder data, covering at least 90%-95% of total agriculture power consumption, to PSERC for tariff determination of FY2013.
2. PSPCL shall have completed 100% feeder metering.
3. The State shall have approved Strategy Paper with alternative plans for improved targeting of agricultural power subsidies.
4. The State shall have finalized a public awareness campaign plan to facilitate implementation of the agricultural power subsidy targeting plan.

**III. Revenue Reform Measures**

1. Revenue Department shall have completed 75% digitization of land records in all rural areas of the State to facilitate improved administration of stamp duty and registration fee collection from the rural areas.

**Policy Actions for Release of the Second Tranche****II. Facilitating Expenditure Rationalization Measures with a Focus on Power Subsidy**

1. PSPCL shall have completed 100% metering on distribution transformers connected to agriculture power feeders to improve energy audit.
2. The State shall have notified an agricultural power subsidy targeting plan selected from the alternative plans provided in the Strategy Paper and have commenced implementing the selected plan.
3. The State shall have implemented the public awareness campaign to facilitate implementation of the selected agricultural power subsidy targeting plan.
4. PSPCL shall have (i) implemented a system of demand forecasting and energy requirement to manage short- and long-term power purchase costs in an effective manner, and (ii) included the same in its petition to PSERC.
5. Power Department shall have approved a time-bound action plan for PSPCL debt restructuring to facilitate funds mobilization from the market and improve power supply and have commenced implementing the plan.

**III. Revenue Reform Measures**

1. The State shall have submitted profession tax bill to the State legislature.
2. Revenue Department shall have completed the digitization of land records for all areas of the State.

**Policy Actions for Release of the Third Tranche****I. Fiscal Management Measures**

1. FRBM Rules shall have been adopted by the State.
2. MTFF for FY2016-FY2018, which provides a reasonable enhancement of capital outlay (as a percentage of GSDP) over the baseline scenarios, shall have been prepared and approved by Finance Department to ensure adherence to realistic fiscal targets.
3. Gender-responsive MTEFs for health, education, power, and public works departments, which are consistent with MTFF, shall have been finalized and approved by Finance Department, and budget allocations for these departments shall have been made for FY2016 based on the MTEFs.
4. Comprehensive electronic database on State government employees and pensioners shall have been prepared by Finance Department for better public expenditure planning and targeting.
5. Finance Department shall have implemented a treasury cash forecasting methodology and its integration with debt management module, to reduce dependence on unplanned short-term borrowings.

**III. Revenue Reform Measures**

1. Finance Department shall have reduced threshold limit for deduction of tax at source for works contract.
2. Finance Department shall have benchmarked the turnover tax rate in comparable states and revised the turnover tax rate appropriately.

**SCHEDULE 4****Program Implementation and Other Matters**Implementation Arrangements

1. The Program shall be implemented by the Borrower, and the State acting through its Finance Department.
2. In addition to the fiscal programming, the FPMU shall be responsible for:
  - (a) overall coordination and monitoring of the Program, including the Policy Actions;
  - (b) preparing and submitting all required reports to ADB;
  - (c) submitting the audited financial statement to ADB; and
  - (d) implementing the TA.
3. The Borrower and Program Executing Agency shall ensure that:
  - (a) the Program and the TA as applicable shall conform to all applicable ADB policies, including those concerning safeguards, gender, anticorruption measures, procurement, consulting services and disbursement; and
  - (b) the recommendations of the TA as also other necessary actions shall be undertaken in a timely manner to ensure completion of the required Policy Actions and Program on time.

Policy Actions and Dialogue

4. The Borrower shall ensure, and cause the State to ensure, that all Policy Actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.
5. The Borrower shall keep, and cause the State to keep, ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall, and shall cause the State to, take into account ADB's views before finalizing and implementing any such proposal.

Use of Counterpart Funds

6. The Borrower shall ensure, and cause the State to ensure, that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

Governance and Anticorruption

7. The Borrower, the State, and the Finance Department, shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Monitoring and Review

8. Without limiting the generality of Section 2.05 of the Program Agreement, the State and ADB shall closely monitor the implementation of the Program and its impact.

9. (a) The Borrower, the State, and ADB shall undertake a midterm review of the Program within one year of Effective Date. The midterm review shall (i) review the scope, design and implementation arrangements of the Program; (ii) identify changes needed since the time of the Program processing; (iii) assess implementation performance against Program performance indicators and objectives; (iv) review and establish compliance with the legal covenants; and (v) identify problems and constraints and remedial measures.

(b) In case of any changes required in Program implementation as may be assessed during the midterm review, the Borrower, the State, and ADB shall mutually agree on appropriate measures, including changes in implementation arrangements to ensure that obligations under the Program are met.