

LOAN AGREEMENT  
(Ordinary Operations)

(Supporting Kerala's Additional Skill Acquisition Program in Post-Basic Education  
– Results-Based Lending)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 27 NOVEMBER 2014

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 27 November 2014 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 Program described in Schedule 1 to this Loan Agreement;

(B) the Program will be carried out by the State of Kerala (“State”) acting through its Department of Higher Education (“DOHE”), 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 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(50) is deleted and the following is substituted therefor:

“Program Agreement” means the Program Agreement of even date herewith between ADB and the State.

- (d) The term “Project Executing Agency” appearing in Sections 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term “State”.
- (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) “ADB’s Results-Based Lending Policy” means ADB’s policy set out in the R-Paper on Piloting Results-Based Lending for Programs approved by ADB on 6 March 2013;

(b) “Anticorruption Guidelines” means ADB’s Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs attached as Appendix 7 to ADB’s Results-Based Lending Policy;

(c) “ASAP” means the State’s Additional Skill Acquisition Program 2012-2018, which shall be supported by the Program;

(d) “CSP” means community skills park;

(e) “Deposit Account” means the bank account into which all withdrawals from the Loan Account shall be deposited;

(f) “Disbursement Linked Indicator” or “DLI” means each disbursement linked indicator set forth in Attachment 1 of Schedule 3 to this Loan Agreement which the Borrower is required to satisfy in order to withdraw the amount of the Loan proceeds allocated to such disbursement linked indicator in Attachment 2 of Schedule 3 to this Loan Agreement;

(g) “DLI Matrix” means the DLI matrix for the Program as set out in Attachment 1 of Schedule 3 to this Loan Agreement and agreed between the Borrower and ADB, as updated from time to time, which sets out each DLI and its corresponding protocol for the purposes of verifying the Borrower’s compliance with each DLI;

(h) “DLI Verification Protocol” means the verification protocol for the Program, included in the PID, which set out corresponding protocol for the purpose of verifying the Borrower’s compliance with each DLI;

(i) “Eligible Expenditures” means the total expenditures incurred by the Borrower under ASAP during its FY minus the expenditures for (i) procurement of goods and services from countries which are not members of ADB; and (ii) any prohibited investment activities provided in Appendix 5 of SPS, incurred by the Borrower under ASAP during the same FY;

(j) “Environmental Safeguards” means the objectives, scope, triggers and policy principles set forth in the section entitled Environmental Safeguards in Chapter V of the SPS;

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

(l) “FY” means the fiscal year of the Borrower which runs from 1 April to 31 March in each year;

(m) “Indigenous Peoples Safeguards” means the objectives, scope, triggers and policy principles set forth in the section entitled Indigenous Peoples Safeguards in Chapter V of the SPS;

(n) “Involuntary Resettlement Safeguards” means the objectives, scope, triggers and policy principles set forth in the section entitled Involuntary Resettlement Safeguards in Chapter V of the SPS;

(o) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(p) “MIS” means management information system;

(q) “PAP” means the action plan for ASAP dated 9 September 2014 and agreed between the Borrower and ADB;

(r) “PID” means the implementation document for the Program dated 9 September 2014 and agreed between the Borrower and ADB, as updated from time to time;

(s) “Program Executing Agency” or “EA” for the purposes of, and within the meaning of, the Loan Regulations means the State acting through the DOHE, or any successor thereto acceptable to ADB, which is responsible for the carrying out of ASAP;

(t) “Program facilities” means facilities and structures to be constructed under the Program;

(u) “SDC” means skill development centre; and

(v) “SPS” means ADB’s Safeguard Policy Statement (2009).

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB’s ordinary capital resources an amount of one hundred million Dollars (\$100,000,000), 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 15 years, and a grace period as defined in subsection (c) hereinafter.

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

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

(a) LIBOR; and

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

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 1 February and 1 August in each year.

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

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

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

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

### **ARTICLE III**

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

Section 3.01. The Borrower shall make the proceeds of the Loan available to the State upon terms and conditions mutually agreeable to ADB and the Borrower, and shall (a) cause the Loan proceeds to be applied to the financing of expenditures on ASAP; and (b) ensure that the Loan proceeds are used for their intended purposes in accordance with the generally accepted principles of economy, efficiency, transparency and accountability.

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

Section 3.04. The Borrower shall ensure that the amount of Eligible Expenditures is at least equal to or exceeds the proceeds of the Loan withdrawn by the Borrower under the Program.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2019 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 ASAP to be carried out by the State with due diligence, economy, efficiency, transparency and accountability, and in conformity with sound applicable technical, financial, business, and development practices.

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

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

Section 4.03. The Borrower shall ensure or cause the State to ensure that the activities of its departments and agencies with respect to the carrying out of ASAP 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, records and documents adequate to identify the Eligible Expenditures financed out of the proceeds of the Loan and to indicate the progress of ASAP.

(b) The Borrower shall enable ADB's representatives to inspect the Program, the goods and works, and any relevant records and documents.

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, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of ASAP, including the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

(b) Without limiting the generality of the foregoing or Section 4.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of ASAP and on the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

Section 4.06 (a) ADB and the Borrower shall cooperate fully to ensure that the purposes of the Loan shall be accomplished.



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

(c) ADB and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to ASAP or the Loan.

Section 4.07. In so far as it relates to ASAP, the Borrower shall take all actions which shall be necessary on its part to enable the State to perform its obligations under the Program Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.08. (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. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Miscellaneous**

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

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

For the Borrower

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

Facsimile 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 2 636-2449.

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 objective of the Program is to support ASAP and assist the students of the State's and State-aided higher secondary schools and Arts and Science colleges to become more employable.

2. The Program shall support ASAP which comprises the following:

**Part 1: Market-relevant vocational training introduced in post-basic education.** It shall include:

- (i) enabling ASAP to improve English communication, information technology and soft skills of students of State and State-aided higher secondary schools and undergraduate colleges;
- (ii) enabling ASAP to introduce new courses and update existing courses based on market response, strengthen quality assurance, and support tracer studies to track improvement in employability and employment outcomes; and
- (iii) arranging internships with relevant industry associations, sector skills councils, and companies for ASAP students.

**Part 2: Access to quality vocational training enhanced.** It shall include:

- (i) supporting ASAP in designing and establishing modern CSPs and renovating existing skills development centers to facilitate the offering of skills training in fast-growing services sector and emerging technology areas;
- (ii) provision of modern training facilities with gender-friendly design and easy access for physically impaired to enable ASAP to attract more students and private skills providers, and encourage industry to contribute equipment and trainers to improve the quality of overall training; and
- (iii) designing of public-private partnership arrangement to outsource operation and maintenance of the CSPs to private operators.

**Part 3: Increased awareness and private sector participation facilitated.** It shall include supporting ASAP in organizing campaigns to enhance awareness about the opportunities provided by ASAP, to increase participation of students and the private sector.

**Part 4: Improved program management and monitoring and evaluation.** It shall include building ASAP secretariat's capacity to implement the program

effectively, and strengthen the fiduciary, and monitoring and evaluation functions.

3. The Program is expected to be completed by 31 December 2018.

**SCHEDULE 2**  
**Amortization Schedule**

**(Supporting Kerala's Additional Skill Acquisition Program in Post-Basic Education  
– Results-Based Lending)**

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 (Expressed as a %)
1 February 2020	3.333333
1 August 2020	3.333333
1 February 2021	3.333333
1 August 2021	3.333333
1 February 2022	3.333333
1 August 2022	3.333333
1 February 2023	3.333333
1 August 2023	3.333333
1 February 2024	3.333333
1 August 2024	3.333333
1 February 2025	3.333333
1 August 2025	3.333333
1 February 2026	3.333333
1 August 2026	3.333333
1 February 2027	3.333333
1 August 2027	3.333333
1 February 2028	3.333333
1 August 2028	3.333333
1 February 2029	3.333333
1 August 2029	3.333333
1 February 2030	3.333333
1 August 2030	3.333333
1 February 2031	3.333333
1 August 2031	3.333333
1 February 2032	3.333333
1 August 2032	3.333333
1 February 2033	3.333333
1 August 2033	3.333333

Date Payment Due	Installment Share (Expressed as a %)
1 February 2034	3.333333
1 August 2034	3.333343
Total	100.000000

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

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

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

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (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**General

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.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate the Deposit Account into which all withdrawals from the Loan Account shall be deposited.

Basis for Withdrawal from the Loan Account

3. The Borrower shall keep the number of application for withdrawal during a particular FY at not more than one per quarter.

4. Prior to submitting any application for withdrawal from the Loan Account for a DLI, the Borrower shall submit (a) for ADB's approval, satisfactory evidence that such DLI has been fully achieved as required under the DLI Verification Protocol; and (b) ASAP's unaudited financial statements for the period concerned. Upon ADB's confirmation that the DLI has been achieved, the Borrower may submit an application for withdrawal of the corresponding Loan proceeds for such DLI.

5. No withdrawal shall be made or permitted from the Loan Account for any DLI unless the Borrower and ADB are mutually satisfied that the Borrower continues to comply with all DLIs that were previously met and for which Loan proceeds have been disbursed.

6. Throughout the Program period, the Borrower shall submit any information on ASAP that ADB may require from time to time to assess and calculate the value of Eligible Expenditures.

Application for Withdrawal from the Loan Account

7. (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; and

(b) Prior to the submission of the first withdrawal application, the Borrower shall submit, or cause to be submitted, to ADB sufficient evidence of the authority of the person(s) who shall sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person.

Reallocation

8. (a) The years indicated for disbursement in the Table in Attachment 2 to this Schedule are indicative only and shall not restrict disbursement on account of any DLI targets achieved ahead of the expected year. In the event the Borrower achieves a DLI



target earlier than targeted, the Borrower shall be entitled to seek advancement of the disbursements due for such DLI, and ADB shall make disbursement for such DLI.

(b) Notwithstanding the allocation of Loan proceeds set forth in Attachment 2 to this Schedule, if the amount of Loan proceeds allocated to any DLI appears to be insufficient or excessive for any reason whatsoever, the Borrower and ADB may by agreement reallocate such shortfall or excess amount to any other DLI.

#### Disbursement Procedures

9. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. The Borrower shall submit, or cause to be submitted, the supporting documents specified in paragraph 4 of this Schedule 3 in lieu of the supporting documents required under the Loan Disbursement Handbook.

## DISBURSEMENT-LINKED INDICATORS

Results Indicators	Baseline Year and Unit of Measurement	Target Values for ASAP				
		Financing for Prior Results 2014	July 2015	July 2016	July 2017	July 2018
<b>ASAP certificate holders are more employable</b>						
DLI 1: Increase in the employability rate of ASAP trainees over the 2016 baseline  [Subject to the achievement of a minimum of 60% of the targeted increment for this DLI, ADB will disburse an amount proportional to the result achieved.]	Baseline available in 2016 (Outcome disaggregated by sex and socio-economic background of beneficiary)			Baseline	Employability rate improves by 5% relative to baseline	Employability rate improves by 10% relative to baseline
<b>Market-relevant vocational training introduced in post-basic education</b>						
DLI 2: Number of new or updated industry accredited vocational courses offered (cumulative)	Baseline (July 2014): 33 courses	33	43	50	55	60
<b>Access to quality vocational training enhanced</b>						
DLI 3: (i) CSPs with modern training facilities, gender-friendly design, and easy access for physically impaired established and operationalized  (ii) Number of SDCs renovated to specified standards  [Subject to the achievement of a minimum of 60% of the targeted increment for this DLI,	(i) Baseline (2013): 0  (ii) Baseline (2013): 0	Standard design for CSPs completed. Process of selecting firm for preparing site-specific designs initiated.	(ii) 10 SDCs	(i) 14 CSPs  (ii) 10 SDCs	(i) 14 CSPs  (ii) 10 SDCs	(i) 7 CSPs

Results Indicators	Baseline Year and Unit of Measurement	Target Values for ASAP				
		Financing for Prior Results 2014	July 2015	July 2016	July 2017	July 2018
ADB will disburse an amount proportion to the result achieved.]						
<b>Increased awareness and private sector participation facilitated</b>						
DLI 4: Number of students enrolled in ASAP level 1 courses (cumulative)  [Subject to the achievement of a minimum of 60% of the targeted increment, ADB will disburse an amount proportional to the result achieved.]	Baseline (July 2013): 15899 students (Female: 56%, Disadvantaged: 55%)	15899	30000	61886	65000	173058 (Female: 60%, Underprivileged students: 60%)
DLI 5: Number of private training providers engaged under ASAP increased (cumulative)	Baseline (2012): None		12	15	18	20
<b>Improved program management and monitoring and evaluation</b>						
DLI 6: Number of skill development executives empanelled increased (cumulative basis)	Baseline (June 2014): 1167 (Female: 67%)	1200	1500	1750	2000	

TABLE

<b>Allocation and Withdrawal of Loan Proceeds</b> <b>(Supporting Kerala's Additional Skill Acquisition Program in Post-Basic Education</b> <b>– Results-Based Lending)</b> <b>(\$ million)</b>						
<b>Disbursement-Linked Indicators</b>	<b>Total ADB Financing Allocation</b>	<b>Financing for Prior Results (2014)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
DLI 1	10				5	5
DLI 2	15	5	3	4	3	
DLI 3	30	5	5	10	10	
DLI 4	25	5	5	5	5	5
DLI 5	10		4	3	3	
DLI 6	10	5	3	1	1	
<b>Total</b>	<b>100</b>	<b>20</b>	<b>20</b>	<b>23</b>	<b>27</b>	<b>10</b>

## **SCHEDULE 4**

### **Execution of Program**

#### Implementation Arrangements

1. The Borrower and the State shall ensure that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after consultation and agreement of such change by the Borrower, the State and ADB. In the event of any discrepancy between the PAP and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. (a) The State acting through DOHE shall ensure that towards smooth implementation of ASAP, grievances if any from stakeholders, relating to ASAP implementation or use of funds are addressed effectively and efficiently.

(b) The Borrower shall ensure that the State and DOHE comply with all the requirements and obligations in its part as included in this Loan Agreement and the Program Agreement to meet the objectives of the Program in a timely and efficient manner.

#### DLI Actions and Dialogue

3. The Borrower shall ensure, or cause the State to ensure, that all DLIs under the Program, as set forth in the DLI Matrix continue to be in effect for the duration of ASAP.

4. The Borrower and the State shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of ASAP and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

#### Financial Management

5. The Borrower shall ensure, or cause the State to ensure, that the financial management actions specified in the PAP are implemented in a timely and efficient manner to achieve the objectives of, among others, improving sector budgeting, planning, management and internal audit at DOHE.

#### Procurement

6. The Borrower shall ensure, or cause the State to ensure, that the procurement actions specified in the PAP are implemented in a timely and efficient manner.

7. The Borrower shall ensure, or cause the State to ensure, that ASAP includes no activities which involve (a) procurement of works, turnkey, supply or installation contracts estimated to cost \$50,000,000 equivalent or more per contract; (b) procurement of goods contracts estimated to cost \$30,000,000 equivalent or more per contract; (c) information technology or non-consulting services contracts estimated to cost \$20,000,000 equivalent or

more per contract; and (d) consultants' services contracts estimated to cost \$15,000,000 equivalent or more per contract.

#### Safeguards

8. The Borrower shall ensure, or cause the State to ensure, that the safeguards actions specified in the PAP are implemented in a timely and efficient manner.

9. (a) The Borrower shall ensure, or cause the State to ensure, that construction works under ASAP do not involve significant adverse environmental impacts which may be classified as category A under the SPS or its related rules/manuals.

(b) Prior to commencing any construction or rehabilitation works in connection with ASAP, the Borrower shall ensure or cause the State to conduct a screening to ensure that such works shall not be classified as category A under the SPS or its related rules/manuals.

10. The Borrower shall ensure, or cause the State to ensure, that ASAP does not involve any resettlement or indigenous peoples risks or impacts within the meaning of the SPS.

#### Environment

11. The Borrower shall ensure, or cause the State to ensure, that the preparation, design, construction, implementation, operation and decommissioning of all activities under ASAP comply with (a) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; (c) all measures and requirements, including monitoring requirements, set forth in an environmental management plan, initial environmental examination, or environmental impact assessment.

#### Gender and Development

12. The Borrower shall ensure, or cause the State to ensure, that the gender actions specified in the PAP are implemented in a timely and efficient manner.

#### Governance and Anticorruption

13. The Borrower, the State, and DOHE shall (a) ensure that ASAP complies with the provisions of the Anticorruption Guidelines and shall take all appropriate and timely measures to prevent, detect and respond to allegations of fraud, corruption, or any other prohibited activities in accordance with the Anticorruption Guidelines; and (b) the Borrower shall cause the State and DOHE to promptly inform ADB of any allegations of fraud, corruption, or any other prohibited activities relating to ASAP.

14. The Borrower shall, and shall cause the State to, cooperate fully with any investigation by ADB relating to allegations of fraud, corruption, or any other prohibited activities and extend all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation.

15. Within 90 days of the Effective Date, the Borrower shall cause the State to update its website to (a) provide information on bidding procedures, bidders, contract awards, and physical progress of ASAP; (b) post the annual audited financial statements for ASAP, as soon as such audited financial statements become available; and (c) disseminate other relevant information on the implementation of ASAP.