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LOAN NUMBER 3424-IND

LOAN AGREEMENT  
(Ordinary Operations)

(Visakhapatnam - Chennai Industrial Corridor Development Program)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 23 FEBRUARY 2017

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IND: 48434

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 23 February 2017 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 25 July 2016 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's Visakhapatnam - Chennai Industrial Corridor Development 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 Andhra Pradesh ("State") acting through its Department of Industries and Commerce ("DOIC") (hereinafter referred to as "Program EA") as defined below, 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;

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 8 of Schedule 4 to this Loan Agreement;

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

(c) "DIC" means a district industrial centre;

(d) "DOIC" means the Department of Industries and Commerce of the State;

(e) "EA" means Executing Agency;

- (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 \$62,500,000 to be withdrawn pursuant to and subject to the provisions of paragraph 4 of Schedule 3 to this Loan Agreement;
- (h) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);
- (i) "Master Plan of VCIC" means the document to be developed for relevant infrastructure projects at industrial cluster levels in the four identified nodes by the State;
- (j) "Rupees" or "Rs." means the currency of the Borrower;
- (k) "Policy Letter" means the development policy letter as received by ADB from the Borrower;
- (l) "Policy Matrix" means the policy matrix as agreed between the Borrower, State, and ADB, which sets forth actions accomplished or to be accomplished by the State under the Program and is attached to the Policy Letter;
- (m) "Program EA" for the purposes of, and within the meaning of, the Loan Regulations means the State acting through its DOIC, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;
- (n) "PSC" means the State level inter-ministerial/inter-departmental Program Steering Committee chaired by the Chief Secretary of the State and members including the Ministers, Directors and/or representatives of other relevant government departments;
- (o) "Second Tranche" means the balance of the proceeds of the Loan remaining in the Loan Account after the utilization of the First Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement;
- (p) "SPV" means a special purpose vehicle;
- (q) "State" means the State of Andhra Pradesh within the territory of the Borrower;
- (r) "TA" means the ADB technical assistance for capacity building of the institutions for industrial corridor management in the State for an amount of \$1,000,000 financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others); and
- (s) "VCIC" means the Visakhapatnam – Chennai Industrial Corridor.

**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 and twenty five million dollars (\$125,000,000) 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 March and 15 September in each year.

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

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

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and

- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

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

### **ARTICLE III**

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

Section 3.01. The Borrower shall 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 31 December 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 the Program Executing Agency 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 to be performed by the Program Executing Agency, all obligations set forth in Schedule 4 to this Loan Agreement.

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

Section 4.03. The Borrower shall ensure, and cause the State to ensure, that the activities of its departments and agencies as also of the State 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) 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, 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.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. 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

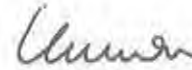
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636- 2293.

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 \_\_\_\_\_  
RAJ KUMAR  
Joint Secretary (MI)  
Department of Economic Affairs

ASIAN DEVELOPMENT BANK



By \_\_\_\_\_  
L. B. SONDJAJA  
Officer-in-Charge  
India Resident Mission

**SCHEDULE 1****Description of the Program**

1. The principal objective of the Program is enhanced growth and competitiveness of the VCIC and the scope includes corridor management and ease of doing business. The Program is described in more detail in the Policy Letter.
2. The Program is expected to be completed by 31 December 2019.

**SCHEDULE 2****Amortization Schedule  
(Visakhapatnam - Chennai Industrial Corridor Development 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.

Sequence	Date Payment Due	Installment Share (Expressed as a %)
1	15 March 2020	4.166667
2	15 September 2020	4.166667
3	15 March 2021	4.166667
4	15 September 2021	4.166667
5	15 March 2022	4.166667
6	15 September 2022	4.166667
7	15 March 2023	4.166667
8	15 September 2023	4.166667
9	15 March 2024	4.166667
10	15 September 2024	4.166667
11	15 March 2025	4.166667
12	15 September 2025	4.166667
13	15 March 2026	4.166667
14	15 September 2026	4.166667
15	15 March 2027	4.166667
16	15 September 2027	4.166667
17	15 March 2028	4.166667
18	15 September 2028	4.166667
19	15 March 2029	4.166667
20	15 September 2029	4.166667
21	15 March 2030	4.166667
22	15 September 2030	4.166667
23	15 March 2031	4.166667
24	15 September 2031	4.166659
	Total	100.000000

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

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

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

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

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

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

**SCHEDULE 3****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. 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.
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 Reserve Bank of India into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.  
  
(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Loan proceeds shall be withdrawn to finance any item specified in the Attachment 1 to this Schedule.
5. No withdrawal shall be made from the Loan Account for the First Tranche unless ADB is satisfied that the Borrower has met or caused the State to have met the policy actions for the release of the tranche specified in Attachment 2 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 Second Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower and the State in the carrying out of the Program; (b) the policy actions that were met for the release of the First Tranche continue to be complied with by the Borrower and the State; and (c) the Borrower has met or caused the State to have met the policy actions for the release of the tranche specified in Attachment 3 to this Schedule.

**Negative List**

No withdrawals of Loan proceeds 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**

Chapter	Heading	Description of Items
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****Corridor Management**

1. A State Industrial Corridor Management Authority or equivalent notified for providing strategic directions and policies for development of industrial corridors, nodes and institutions; investor promotion; and development, financing and implementation of relevant infrastructure projects.
2. Node-specific SPVs notified with mandate for development and implementation of relevant infrastructure projects.
3. Roadmap prepared for a project development mechanism and its management, for planning and preparing infrastructure projects in industrial corridors.
4. An investor promotion cell in Directorate of Industries expanded to a dedicated investor promotion agency notified to attract investments in the State.
5. One global investment promotion event held in the State.
6. The State level road safety policy framework enhanced, published and under implementation.
7. A State level roadmap to provide electricity supply as per standards prescribed by the State Electricity Regulation Commission approved.

**Ease of Doing Business**

8. New industrial and sector level policies including fiscal incentives for investments and providing special incentives for women, notified and under implementation.
9. Updated State wide single-desk policy notified to streamline approval processes for doing business.
10. An e-portal operational for online applications for doing business and related government incentives.
11. A reform plan approved for DICs, which includes, among others, rationalized organizational structure, office infrastructure, streamlined processes for single-point contact and linkages with the State-level single desk and e-portal systems.
12. A roadmap or a policy document approved for skill development.
13. Lands for industrial use identified in at least two nodes.

**Policy Actions for Release of the Second Tranche****Corridor Management**

1. State Industrial Corridor Management Authority or equivalent operationalized, which will have adopted organizational structure, human resources plan and business plan that should include, among others, streamlined decision-making, and strategy for industrial growth.
2. At least two node-specific SPVs along with project management units established.
3. Project development mechanism established to enhance readiness for development and implementation of infrastructure projects in the State.
4. A dedicated investor promotion agency notified and operational, and a second global investment promotion event held in the State.
5. State level road safety policy framework or action plan implemented in at least two industrial estates of Andhra Pradesh Industrial Infrastructure Corporation (APIIC).
6. State level roadmap for electricity supply implemented in at least two industrial estates of APIIC.

**Ease of Doing Business**

7. New industrial and sector policies implemented in all four nodes of VCIC.
8. State wide single desk policy operationalized.
9. The e-portal for doing business becomes the main system for industrial licensing in relevant State departments.
10. At least two model DICs established.
11. Starting from the first global investment promotion event in the State, at least 25,000 persons (at least 20% women), including workers, entrepreneurs and students, trained for skill development.
12. Computerized database of lands for industrial nodes made available to investors on website.



## SCHEDULE 4

### Program Implementation and Other Matters

#### Implementation Arrangements

1. The Program shall be implemented by the Borrower, and the Program EA. The State shall ensure completion of the policy actions to ensure timely release of the First Tranche and Second Tranche as scheduled.
2. Towards smooth implementation of the Program, the Borrower shall ensure, or cause the Program EA to ensure, that grievances if any from stakeholders, relating to the Program implementation or use of funds are addressed effectively and efficiently.

#### Program Steering Committee (PSC)

3. The Borrower shall cause the State to set up a PSC that shall meet regularly to facilitate and give directions for complying with Policy Actions under the Program.
4. The Program EA shall be responsible for
  - (a) overall coordination and monitoring of the Program, including the Policy Actions;
  - (b) preparing and submitting all required reports to the PSC and ADB;
  - (c) submitting the audited financial statements to ADB; and
  - (d) implementing the TA.
5. The Borrower and the Program EA 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 the Program on time.

#### Policy Actions and Dialogue

6. The Borrower shall 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.
7. The Borrower shall 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 take into account ADB's views before finalizing and implementing any such proposal.

#### Use of Counterpart Funds

8. The Borrower shall 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

9. The Borrower, the State, Program EA, 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

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

11. (a) The Borrower, the Program EA, 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 Program EA, and ADB shall mutually agree on appropriate measures including changes in implementation arrangements to ensure that obligations under the Program are met.

#### Specific Actions

12. The Program EA shall ensure that the recommendations on the Master Plan of VCIC shall be taken up by the State for consideration and adoption by no later than 31 December 2017.

13. By no later than December 2017, the State shall or shall cause the Program EA to

(a) prepare the Human Resources Development and Business Plan for the proposed State Industrial Corridor Development Authority or its equivalent;

(b) provide for adequate budget support for the operationalization of the State Industrial Corridor Development Authority or its equivalent, and least two node-specific SPVs (and related project management units).

14. By no later than 12 months of Effective Date, the State shall (i) establish and implement the Project Development mechanism towards facilitating timely projects preparation along the State industrial corridors; and (ii) establish the investor promotion agency.

15. The Program EA shall

(a) take all measures necessary to facilitate active dissemination and marketing of the e-portal and single-desk policies as also the ease-of-business linked policies, procedures and incentives available in the State to prospective applicants and entrepreneurs within the State, country as well as globally.

(b) ensure through the relevant agencies the appropriate and timely skills training is conducted towards compliance of the related Second Tranche policy action.

16. The State shall make available all necessary land records and maps to relevant consultants/surveyors to enable timely identification of lands for industrial use identified in the nodes in the State, and preparation of the related GIS-data for dissemination to prospective investors.

17. The Borrower, State and the Program EA shall ensure that:

(a) towards strengthening environmental monitoring and enforcement mechanism in the State including more particularly in the VCIC, capacity building is provided/enhanced for the State Pollution Control Board and related regulatory bodies as needed;

(b) assistance is provided to the Program EA in preparing the design of investment and development plans in the VCIC to ensure that these are environmental standards compliant;

(c) adequate resources are provided to the Program EA or IAs as the case may be to assess direct/indirect development-related environmental impacts if any, and identify and implement measures to avoid and/or mitigate such impacts; and

(d) adequate resources are provided to the Program EA or IAs as the case may be to comply with any such identified environmental impacts related mitigation measures.