
LOAN NUMBER 3430- IND

LOAN AGREEMENT
(Ordinary Operations)

(Visakhapatnam - Chennai Industrial Corridor Development Program – Project 1)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 23 FEBRUARY 2017

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) by a framework financing agreement dated 05 July 2016 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purposes of financing projects under the Visakhapatnam - Chennai Industrial Corridor Development Program;

(B) by a periodic financing request dated 05 July 2016 the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by the State of Andhra Pradesh ("State") acting through its Department of Industries and Commerce ("DOIC") (the "EA"), 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 (the "Loan") upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the State;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("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 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium.

(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.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

(b) 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.

(c) 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) "APERC" means the Andhra Pradesh Electricity Regulatory Commission;
- (b) "APIIC" means the Andhra Pradesh Industrial Infrastructure Corporation;
- (c) "APRDC" means the Andhra Pradesh Road Development Corporation;
- (d) "APSSDC" means the Andhra Pradesh State Skills Development Corporation;
- (e) "APTransco" means the Transmission Corporation of Andhra Pradesh;
- (f) "CETP" means a common effluent treatment plant;
- (g) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (h) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 9 of Schedule 4 to this Loan Agreement;
- (i) "CPP" means the consultation and participation plan;
- (j) "DMA" means district metering approach;

- State;
- (k) "DOIC" means the Department of Industries and Commerce of the State;
- DOIC;
- (l) "EA" or "Project Executing Agency" means the State acting through its DOIC;
- (m) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower through the EA and cleared by ADB;
- (n) "EMP" means each environment management plan, including any update thereto, incorporated in the IEE;
- (o) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (p) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;
- (q) "FAM" means the facility administration manual for the facility dated July 2016 and agreed between the Borrower, State and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, State and ADB;
- (r) "FFA" means the framework financing agreement dated 05 July 2016 between ADB and the Borrower with respect to the Facility;
- (s) "Financing Arrangements" means the arrangements between the Borrower and the State as per current policy of the Borrower, and acceptable to ADB;
- (t) "GESI" means the gender equality and social inclusion action plan prepared for the Project, including any update thereto, and agreed to between the Borrower, the EA and ADB.
- (u) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;
- (v) "GVMC" means the Greater Visakhapatnam Municipal Corporation;
- (w) "IA" means each of the implementing agencies under the Project namely the GVMC, APTransco, APIIC, APRDC, as the context requires;
- (x) "IEE" means the initial environmental examination for each Subproject under the Project, including any update thereto, prepared and submitted by the Borrower through the EA, and cleared by ADB;
- (y) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(z) "Investment Program" means the Visakhapatnam - Chennai Industrial Corridor Development Program;

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

(bb) "IPF" means the indigenous peoples framework for the Project, including any update thereto, prepared and submitted by the Borrower through the EA and cleared by ADB;

(cc) "IPP" means the indigenous peoples plan for the Project as may be required, including any update thereto, prepared and submitted by the Borrower through the EA, and cleared by ADB;

(dd) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(ee) "MLD" means million litres per day;

(ff) "NRW" means nonrevenue water;

(gg) "O&M" means operation and maintenance;

(hh) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 05 July 2016;

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

(jj) "Procurement Plan" means the procurement plan for the Project as agreed between the Borrower, State and ADB, and included in the FAM, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(kk) "PSC" means a 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 as detailed in the Schedule 3 to the FFA;

(ll) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower through the EA and cleared by ADB;

(mm) "RP" means the resettlement plan for each Subproject under the Project, including any update thereto, prepared and submitted by the Borrower through the EA, and cleared by ADB;

(nn) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower through the EA to ADB that describes progress with

implementation of, and compliance with, the EMP, the RP, and the IPP (as applicable), including any corrective and preventive actions;

(oo) "SPS" means ADB's Safeguard Policy Statement (2009);

(pp) "State" means State of Andhra Pradesh;

(qq) "Subproject" means a subproject as found eligible in accordance with the subproject selection criteria included under Schedule 4 to the FFA;

(rr) "UCCRTF" means the Urban Climate Resilience Trust Fund under the Urban Financing Partnership Facility administered by ADB;

(rr) "VCIC" means the Visakhapatnam-Chennai industrial corridor; and

(ss) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred and forty five million Dollar (\$245,000,000)], as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

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

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

(a) LIBOR; 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; and

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

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

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 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 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 EA upon terms and conditions mutually agreeable to ADB and the Borrower, and shall cause the EA to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured by the EA, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause the EA to ensure that all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2023 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 Project to be carried out by the EA with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed by the State and EA, all respective obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available by the EA, 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 Project.

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

Section 4.04. The Borrower shall ensure, or cause the State to ensure, that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. The Borrower shall enable, and shall cause the State and the EA to enable, ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.06. In so far as it relates to the Project, the Borrower shall take all actions which shall be necessary on its part to enable the State and the EA to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.07. (a) In so far as it relates to the Project, the Borrower shall exercise its rights under the Financing Arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

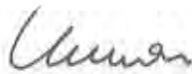
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

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

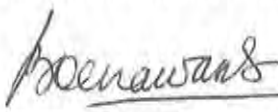
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

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 Project

1. The objective of the Project is enhanced growth and competitiveness of the VCIC.
2. The Project shall comprise following outputs as given in greater detail in attachment 3 to the PFR:

Output 1: VCIC Infrastructure strengthened and more resilient

(A) Industrial infrastructure:

- (a) construction of CETPs at Atchutapuram and Naidupeta clusters; and
- (b) strengthen services for Naidupeta cluster, drainage, internal connectivity, internal water supply, and service centre.

(B) Drinking Water Supply in GVMC

- (a) transmission network improvement; and
- (b) distribution network improvement

towards investments in smart water management in the north-west sector of Vishakhapatnam to reduce NRW and provide continuous water supply.

(C) Connectivity: Roads

Strengthening and widening Samarlakota- Rajanagaram section of State highway to four lanes towards improving connectivity between Kakinada port and national highway -16.

(D) Power

Upgrading 7 power substations for supplying high quality and reliable power to Vishakhapatnam, Naidupeta, and Yerpedu-Srikalahasti industrial clusters.

Output 2: Institutional capacities, human resources, and program management strengthened

Implementation support for (i) skills enhancement of workers and entrepreneurs, especially women; (ii) Project management; (ii) road safety awareness; (iii) external monitoring of resettlement; and (iv) investors promotion.

3. The Project is expected to be completed by 31 December 2022.

SCHEDULE 2**Amortization Schedule****(Visakhapatnam - Chennai Industrial Corridor Development Program – Project 1)**

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 2022	2.500000
2	15 September 2022	2.500000
3	15 March 2023	2.500000
4	15 September 2023	2.500000
5	15 March 2024	2.500000
6	15 September 2024	2.500000
7	15 March 2025	2.500000
8	15 September 2025	2.500000
9	15 March 2026	2.500000
10	15 September 2026	2.500000
11	15 March 2027	2.500000
12	15 September 2027	2.500000
13	15 March 2028	2.500000
14	15 September 2028	2.500000
15	15 March 2029	2.500000
16	15 September 2029	2.500000
17	15 March 2030	2.500000
18	15 September 2030	2.500000
19	15 March 2031	2.500000
20	15 September 2031	2.500000
21	15 March 2032	2.500000
22	15 September 2032	2.500000
23	15 March 2033	2.500000
24	15 September 2033	2.500000
25	15 March 2034	2.500000
26	15 September 2034	2.500000
27	15 March 2035	2.500000
28	15 September 2035	2.500000
29	15 March 2036	2.500000
30	15 September 2036	2.500000

Sequence	Date Payment	Installment Share
	Due	(Expressed as a %)
31	15 March 2037	2.500000
32	15 September 2037	2.500000
33	15 March 2038	2.500000
34	15 September 2038	2.500000
35	15 March 2039	2.500000
36	15 September 2039	2.500000
37	15 March 2040	2.500000
38	15 September 2040	2.500000
39	15 March 2041	2.500000
40	15 September 2041	2.500000
	Total	100.000000

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

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

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

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

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

Schedule 2

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

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

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

Basis for Withdrawal from the Loan Account

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

Reallocation

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

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with and by notice to the Borrower and the EA, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with and by notice to the Borrower and the EA, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Retroactive Financing

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Visakhapatnam - Chennai Industrial Corridor Development Program – Project 1)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1.	Works, Equipment, Incremental Costs	199,859,000	78.5% of total expenditure claimed
2.	Consulting Services	15,205,000	87.3% of total expenditure claimed
3.	Unallocated	29,936,000	
	Total	245,000,000	

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding; and
 - (b) National Competitive Bidding.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

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

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for award of contracts; commencement of Works

7. The Borrower shall ensure, or cause the EA to ensure, that no Works contract is awarded for a Subproject which involves:
 - (a) environmental impacts, until the relevant IA has incorporated the relevant provisions from the respective EMP into the Works contract;

Schedule 4

(b) involuntary resettlement impacts, until the relevant IA has prepared and submitted to ADB the respective final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP; and

(c) impacts on indigenous peoples, until the relevant IA has prepared and submitted to ADB the respective final IPP and obtained ADB's clearance of such IPP.

8. The Borrower shall ensure, or cause the EA to ensure, that no commencement of Works is allowed under any Works contract under any Subproject which involves environmental and resettlement impacts until the relevant IA has (i) obtained the final approval of the respective IEE from ADB; (ii) obtained the environmental clearance if required, including approval of the environmental assessment report, from the relevant state or national authority; and (iii) paid compensations and assistance to the affected persons in the section concerned by Works.

Consulting Services

9. (a) Activities included under Schedule 1 shall be assisted through the provision of Consulting Services as applicable.

(b) Except as ADB may otherwise agree, and except as set forth in the paragraph below, the EA shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

10. (a) The EA shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The EA shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

11. The EA shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

12. Contracts procured under competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project

Implementation Arrangements

1. (a) The Borrower, State, and the EA shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any change to the FAM shall be subject to prior agreement and in the event of any discrepancy between the FAM and related Loan Agreement the provisions of the Loan Agreement shall prevail.

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

2. (a) The State and the EA shall ensure that towards smooth implementation of the Project, grievances if any from stakeholders, relating to any Project's implementation or use of funds, are addressed effectively and efficiently.

(b) The State and the EA shall ensure that towards efficient Project implementation, all staff responsible for the Project implementation are continued as feasible.

Counterpart Funds

3. The State shall make available the ADB loan proceeds to the EA and implementing agencies under appropriate arrangements acceptable to ADB, and ensure:

(a) sufficient counterpart funds from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Project; and

(b) adequate funds towards O&M of Project facilities through budgetary allocations or other means, to be provided to the EA and implementing agencies, during and after the Subprojects completion.

Program Steering Committee (PSC)

4. The Borrower shall cause the State to set up a PSC that shall meet regularly to facilitate and give directions for the implementation of the Project. The PSC shall provide guidance for coordination and the roles, responsibilities, and functions of EA and IAs and the proposed corridor management authorities shall be clearly delineated.

Subprojects Selection and Implementation

5. (a) The EA shall ensure that the Subprojects are evaluated and selected in accordance with the criteria set out in the Schedule 4 to the FFA and implemented in accordance with the procedures set out under the FFA and the FAM as the case may be. All documents forming the basis for screening, selection and processing of subprojects shall be made available to ADB upon request and will be kept available for such purposes for a minimum period of five years from the date of the Project completion report for the Project.

- (b) Roads sector Subprojects: The EA through APRDC shall ensure
- (i) timely identification of land to be acquired and initiation of land acquisition consistent with all applicable laws and regulations of the Borrower and the State relating to land acquisition and involuntary resettlement and the ADB's Involuntary Resettlement Safeguards requirements to facilitate timely tendering of Works contracts. To be eligible as a Subproject under the Project, in particular the EA shall ensure this requirement for the road subprojects in the Project to ensure commencement of land acquisition by no later than March 2017; and
 - (ii) expeditious resolution to the pending issues and close the matter appropriately prior to the start of procurement of the civil works package in the Rajanagaram-Samarlakot road package.

Safeguards and Social

Environment

6. The Borrower shall ensure, or cause the EA to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project facilities comply with (i) all applicable laws and regulations of the Borrower and the State relating to environment, health, and safety; (ii) the ADB's Environmental Safeguards; and (iii) all measures and requirements set forth in the EARF, the IEEs and the respective EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

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

(b) Without limiting the application of the Involuntary Resettlement Safeguards, or the RP, the Borrower shall ensure, or cause the EA to ensure, that no physical or economic displacement takes place in connection with the Project until:

- (i) compensation and other entitlements have been provided to affected people in accordance with the respective RP; and
- (ii) a comprehensive income and livelihood restoration program has been established in accordance with the respective RP.

Indigenous Peoples

8. In the event of indigenous peoples impact during Project implementation, the Borrower shall ensure, or cause the EA to ensure, that the preparation, design, construction, implementation and operation of the Project, and all Project facilities comply with (i) all applicable laws and regulations of the Borrower and the State relating to indigenous peoples; (ii) the ADB's Indigenous Peoples Safeguards; (iii) the IPPF, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

9. (a) The Borrower shall make available, or cause the EA to make available, all necessary budgetary and human resources to fully implement the EMPs, the RPs and the IPP(s) as required.

(b) The EA shall designate at least one expert each to supervise implementation of the EMPs, and RPs if any.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower shall ensure, or cause the EA to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

(a) comply with the measures and requirements relevant to the contractor set forth in the IEEs, the respective EMP, and the respective RP, in particular no demolishing or relocating private assets before ensuring asset owner has received compensations and resettlement assistance, and any corrective or preventative actions set out in a Safeguards Monitoring Report;

(b) make available a budget for all such environmental and social measures;

(c) provide the EA with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks if any, or impacts that arise during construction, implementation or operation of the Project that were not considered in the respective IEE, the respective EMP, and the respective RP;

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

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

Safeguards Monitoring and Reporting

11. The Borrower shall do, or cause the EA to do, the following:

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

Schedule 5

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

(c) no later than award of related Works contract, engage qualified and experienced external expert(s) under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts; and

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

Prohibited List of Investments

12. The Borrower shall ensure, or cause the EA to ensure, that no proceeds of the loans under the Project are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

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

Communication and Participation

14. The EA shall ensure that the Project is undertaken in conformity with the CPP as agreed between ADB, the Borrower, State, and the EA and referred in the FAM.

Gender and Development

15. The Borrower and the EA shall ensure that (a) the GESI action plan is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GESI; (c) adequate resources are allocated for implementation of the GESI; and (d) progress on implementation of the GESI action plan, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Governance; Anticorruption

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

Procurement

17. The EA shall announce the Project and business opportunities associated with the Project on its website. The website shall disclose the following information in relation to goods and services procured for the Projects and Subprojects: (i) the list of participating bidders, (ii) the name of the winning bidder, (iii) the amount of the contracts awarded, and (iv) the goods and services procured. In accordance with the Procurement Guidelines, the published information for contracts shall also include the bid prices as read out at bid opening, the reasons for rejection of unsuccessful bidders, and the duration of the awarded contract.

Skills Development

18. The EA shall ensure that the APSSDC, shall facilitate capacity building and training of workers that is aligned to relevant national occupation standards.

Project Facilities

19. (a) The EA shall take into account the flood risks and the effects of rising temperatures into the design of Project facility structures and incorporate adaptation measures for risks related to earthquakes, landslides, floods, and climate change. Detailed designs shall consider findings from ongoing climate change analysis models.

(b) The State shall provide timely and adequate funds to the EA and IAs for maintenance of the facilities created under the Project under proper and defined plans to be developed by the EA and/or IAs, during implementation of the Subprojects under the Project, as also after their completion.

(c) The State and the EA shall endeavor adequate administrative approvals to ensure compulsory comprehensive insurance of the Project facilities and shall also encourage similar insurance for private properties in the State that includes adequate coverage for natural calamities, including but not limited to, earthquake, cyclone, floods, and high speed winds.

Reform Measures

20. The State and EA shall ensure compliance with undertakings under Schedule 6 to the FFA in a timely manner. Notwithstanding and without limiting the generality of this provision the State shall ensure following sector reforms in a timely manner.

Water Supply sector reforms

21. The State shall ensure that GVMC shall give highest priority to water loss management for the duration of the Project and after; shall undertake condition assessment survey of existing pipelines in deciding replacement and repairs of water supply pipelines and for this GVMC shall ensure

(a) that the contractors have full access to maps, technical data, past technical reports and premises necessary for efficient operations of water loss detection;

(b) NRW reduction by DMA approach and active leakage control units by 31 December 2019; and

(c) A water quality monitoring facility for the GVMC area by 31 December 2017; and

(d) Individual connections to cover all slums and below poverty line families (as per government guidelines) provided with individual connections in a phased manner by 31 December 2024.

22. The State and GVMC shall introduce volumetric tariff in the north-west zone of GVMC area and cover 100% costs of O&M in a phased manner by no later than 31 December 2024.

Power sector reforms

23. The State shall ensure that APTransco

(a) shall continue to seek and receive investment approvals and file its aggregate revenue requirement in a timely manner to the APERC;

(b) shall provide an equity contribution of 25% of the capital cost to be incurred as committed to the APERC in the tariff order for 2014-2019 and shall also arrange for the remaining counterpart funds required for investments;

(c) Shall develop mechanisms to control and monitor downtime of industrial feeders; and

(d) Shall reduce downtime in power supply to industrial users.

Road sector reforms

24. The State shall ensure that APRDC will develop and implement road safety action plans in at least two of the nodes in VCIC by no later than 31 December 2017.