

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8488-IN

TNUDF-TNUIFSL Project Agreement

(Tamil Nadu Sustainable Urban Development Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

TAMIL NADU URBAN DEVELOPMENT FUND

and

TAMIL NADU URBAN INFRASTRUCTURE FINANCIAL SERVICES LIMITED

Dated *June 03*, 2015

TNUDF-TNUIFSL PROJECT AGREEMENT

Agreement dated June 03, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the Tamil Nadu Urban Development Fund ("TNUDF"), and Tamil Nadu Urban Infrastructure Financial Services Limited ("TNUIFSL"). (the latter two, collectively "Project Implementing Entities") ("TNUDF-TNUIFSL Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between India ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. TNUDF and TNUIFSL declare their commitment to the objectives of the Project. To this end, TNUDF and TNUIFSL shall carry out their respective activities under Part B of the Project in accordance with the provisions of Article V of the General Conditions, and shall provide, promptly as needed, the funds, facilities, services and other resources required for their Respective Parts of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as otherwise agreed, TNUDF and TNUIFSL shall carry out their Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. TNUDF and TNUIFSL's Representative is the Chairperson and Managing Director of TNUIFSL or any successor thereto.
- 3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391


3.03. TNUDF and TNUIFSL Address is:

No. 19, TP Scheme Road,
Raja Street Extension
Raja Annamalaipuram,
Chennai- 600 028

Telephone	Facsimile:
044 28153104 / 05	044 28153106

AGREED at New Delhi, India, as of the day and year first above written.


INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 
Authorized Representative

Name: Onno Ruhl

Title: Country Director, India

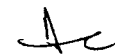
TAMIL NADU URBAN DEVELOPMENT FUND

By 
Authorized Representative

Name: Anita Peaveen

Title: Principal Secretary / Chairperson & MD
(TNUISL)

TAMIL NADU URBAN INFRASTRUCTURE
FINANCIAL SERVICES LIMITED

By 
Authorized Representative

Name: Anita Peaveen

Title: Principal Secretary / Chairperson & MD
(TNUISL)

SCHEDULE

Execution of TNUDF and TNUIFSL's Respective Part of the Project

Section I. Implementation Arrangements

A. Overall Project Implementation

1. TNUDF and TNUIFSL shall operate with such resources, powers, functions, staffing, and expertise, acceptable to the Bank, as are required to carry out the Project.
2. TNUDF and TNUIFSL shall carry out the Project in accordance with this Agreement, the Tamil Nadu Project Agreement, the Project Implementation Plan, the TNUDF-TNUIFSL Operations Manual, the Procurement Plan, the Procurement Manual, the Environmental Management and Social Management Framework, any Environmental Management Plan(s) and any Resettlement Action Plan(s).
3. TNUDF shall not incur any debt, unless a reasonable forecast of the revenues and expenditures of TNUDF shows that the estimated net revenues of TNUDF for each Fiscal Year beginning with 2015, shall be at least 1.0 time the estimated debt service requirements of TNUDF in such year on all debt of TNUDF, including the debt to be incurred.
4. For the purposes of paragraph 3 above of this Section A:
 - (i) the term "debt" means any indebtedness of TNUDF maturing by its terms more than one year after the date on which it is originally incurred;
 - (ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;
 - (iii) the term "net revenues" means the difference between: (A) the sum of revenues from all sources related to operations and net non-operating income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt;
 - (iv) the term "net non-operating income" means the difference between: (A) revenues from all sources other than those related to operations; and (B)

expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above;

- (v) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments and lease payments, if any) of, and interest and other charges on debt;
- (vi) the term "reasonable forecast" means a forecast prepared by TNUDF not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and TNUDF, may accept as reasonable and as to which the Bank has notified TNUDF of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of TNUDF;
- (vii) whenever for the purposes of this paragraph, it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing official rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank;
- (viii) the term "interest and other charges on debt" means and includes all interest accrued on debt, excluding interest charges which are incurred in financing capital expenditures during construction, if such charges are capitalized, and any other charges payable on debt; and
- (ix) the term "equity" means the sum of contributions, retained earnings and reserves of TNUDF not allocated to cover specific liabilities.

B. Sub Loans and Sub Grants

1. TNUDF and TNUIFSL, as the case may be, shall make Sub Loans to Sub Borrowers and Sub Grants to Sub Recipients for Sub Projects in accordance with eligibility criteria and procedures acceptable to the Bank and set out in the TNUDF-TNUIFSL Operations Manual.
2. TNUDF and TNUIFSL, as the case may be, shall make each Sub Loan and Sub Grant on terms and conditions approved by the Bank, which shall include rights adequate to protect Tamil Nadu's, TNUDF's, and TNUIFSL's, as the case may be, interests and those of the Borrower and the Bank, including the right to:
 - (a) suspend or terminate the right of the Sub Borrower or the Sub Recipient to use the proceeds of the Sub Loan and Sub Grant, as the case may be, or declare to be immediately due and payable all or any part of the

amount of the Sub-loan or Sub Grant then withdrawn, upon the Sub Borrower's or Sub Recipient's failure to perform any of its obligations under the legal agreement between TNUDF and TNUIFSL, as the case may be, and such Sub Borrower or Sub Recipient; and

- (b) require each Sub Borrower or Sub Recipient with respect to its Sub Loan and Sub Grant, as the case may be, to:
- (A) carry out its Sub Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, and, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines;
 - (B) provide, promptly as needed, the resources required for the purpose;
 - (C) procure the goods, works and services to be financed out of the Sub Loan or the Sub Grant in accordance with the provisions of this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub Project financed by the Sub Loan or the Sub Grant, as the case may be, and the achievement of its objectives;
 - (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub Project; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Bank;
 - (F) enable the Borrower and the Bank to inspect the Sub Project, its operation and any relevant records and documents relating to the Sub Loan or the Sub Grant, as the case may be; and
 - (G) prepare and furnish to the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. TNUDF and TNUIFSL, as the case may be, shall exercise its rights under its legal agreements with a Sub Borrower or the Sub Recipient in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, TNUDF and TNUIFSL shall not assign, amend, abrogate or waive any legal agreement with a Sub Borrower or the Sub Recipient or any of its provisions.

C. Credit Enhancements under Part B.2 of the Project

1. TNUIFSL shall ensure that all credit enhancements under Part B.2 of the Project are made in accordance with eligibility criteria and procedures acceptable to the Bank and the provisions of the TNUDF-TNUIFSL Operations Manual.
2. TNUIFSL shall ensure that all credit enhancement commitments or instruments under Part B. 2 of the Project are issued only after TNUIFSL verifies that the underlying bond or financial transactions have been processed in accordance with the applicable requirements of the Environmental and Social Safeguards Framework and the TNUDF-TNUIFSL Operations Manual.
3. Without limiting the generality of the foregoing paragraph 2:
 - (a) prior to providing credit enhancements for bond-issues that will finance new projects or activities to be undertaken by Urban Local Bodies or WSPF, TNUIFSL shall ensure that such projects or activities fully comply with the Environmental and Social Management Framework, and that the relevant Urban Local Body, WSPF, or other relevant agency has prepared, adopted and disclosed, all in a manner satisfactory to the Bank, all required environmental management plan(s) and/or resettlement action plan(s). TNUIFSL shall ensure that each such environmental management plan and/or resettlement action plan is implemented by the relevant Urban Local Body or other relevant agency;
 - (b) prior to providing credit enhancements for bond-issues that will refinance existing or completed projects or activities by Urban Local Bodies or WSPF, TNUIFSL shall screen such projects and activities for environmental and social issues. As part of such screening, TNUIFSL shall:
 - (i) carry out due diligence, in a manner satisfactory to the Bank, to identify and analyze any environmental or social legacy issues arising from the design or implementation of such projects and activities; and
 - (ii) cause the relevant Urban Local Body, WSPF, or other relevant agency to formulate, adopt and disclose, all in a manner satisfactory to the Bank, appropriate environmental, social,

and/or resettlement plans or measures necessary to mitigate any such legacy issues consistent with the principles and requirements of the Environmental and Social Management Framework and in a manner satisfactory to the Bank; and

- (c) TNUIFSL shall ensure that each such environmental, social and/or resettlement plans or measure is implemented by the relevant Urban Local Body, WSPF, or other relevant agency.
- 4. Notwithstanding anything in paragraph 3(b) above, TNUIFSL shall refrain from providing credit enhancements for bond issues that will refinance existing or completed projects or activities with environmental and social legacy issues that the Bank determines cannot be adequately addressed as required under paragraph 3(b) (ii) above.
- 5. TNUIFSL shall make each credit enhancement on terms and conditions approved by the Bank, which shall include rights adequate to protect Tamil Nadu's and TNUIFSL's interests and those of the Borrower and the Bank under the credit enhancement or the underlying transactions as the case may be.

D. Safeguards

- 1. TNUDF and TNUIFSL, as the case may be, shall ensure that its activities under the Project and those of the Urban Local Bodies, WSPF, the Sub Borrowers, and the Sub Recipients are carried out in accordance with the Loan Agreement, this Agreement, the Tamil Nadu Project Agreement, the TNUDF-TNUIFSL Operations Manual, the Procurement Plan, and the Environmental and Social Management Framework, including, where applicable, Environmental Management Plan(s) and Resettlement Action Plan(s).
- 2. TNUDF and TNUIFSL, as the case may be, shall, with respect to Sub Projects under Part B.1 of the Project:
 - (i) ensure that the relevant Sub Borrower or Sub Recipient has developed Environmental Management Plan(s) and/or Resettlement Action Plan(s) in accordance with the Environmental and Social Management Framework for Sub Projects under Part B.1 prior to the approval of bid documents for these Sub Projects;
 - (ii) furnish such Environmental Management Plan(s) and/or Resettlement Action Plan(s) to the Bank for review and approval;
 - (iii) ensure that the relevant Sub Borrower or Sub Recipient has adopted and publicly disclosed such Environmental Management

Plan(s) and/or Resettlement Action Plan(s) in a manner acceptable to the Bank; and

- (iv) cause the Sub-Borrower, the Sub Recipient, or other appropriate implementing agency to comply with all social and environmental safeguard measures set forth in the Environmental Management Plan(s) or the Resettlement Action Plan(s) to the satisfaction of the Bank.
- 3. Except as the Bank shall otherwise agree, TNUDF and TNUIFSL, as the case may be, shall make no amendments, variations, or waivers to any provision of the TNUDF-TNUIFSL Operations Manual, the Environmental and Social Management Framework, including, where applicable, Environmental Management Plan(s) and Resettlement Action Plan(s), relating to such environmental and social standards, if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
- 4. TNUIFSL shall appoint and maintain adequate environmental and social development staff at TNUIFSL and the Sub Borrowers or the Sub Recipients, as the case maybe, with functions, powers, resources necessary to review and monitor the environmental and social aspects of Sub Projects.
- 5. TNUDF and TNUIFSL, as the case may be, shall ensure that the Sub Borrowers and the Sub Recipients constitute and maintain grievance redress committees to handle environment-related grievances under the Environmental Management Plans and resettlement and compensation-related grievances under the Resettlement Action Plans.
- 6. In accordance with terms of reference acceptable to the Bank, TNUDF and TNUIFSL, as the case may be, shall undertake resettlement impact evaluation studies no later than one calendar year after carrying out Resettlement Action Plan(s) under each Sub Project. A copy of these impact evaluations shall be furnished to the Bank as part of the information required under 5.08 (c) of the General Conditions.

E. Anti-Corruption

TNUDF and TNUIFSL, as the case may be, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. TNUDF and TNUIFSL shall prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of six months, and shall be furnished to the Borrower, through Tamil Nadu, not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
2. TNUIFSL shall provide to the Borrower through Tamil Nadu not later than September 30, 2022, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. TNUIFSL and TNUDF shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources, and expenditures relating to its Respective Part of the Project.
2. Without limitation on the provisions of Part A of this Section, TNUIFSL shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. TNUIFSL and TNUDF shall have the Project's financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one Fiscal Year. TNUDF and TNUIFSL shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than nine months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods, works and services required for TNUDF and TNUIFSL's Respective Parts of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.