

Public Disclosure Authorized

CONFIRMED COPY

CREDIT NUMBER 4054-IN

Restated and Amended Development Credit Agreement

(Emergency Tsunami Reconstruction Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Originally Dated May 12, 2005
Restated and Amended on August 13, 2009

CREDIT NUMBER 4054-IN

**RESTATED AND AMENDED
DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, originally dated May 12, 2005, restated and amended on August 13, 2009, between INDIA, acting by its President, (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) Parts A, B, D and E of the Project will be carried out by the State of Tamil Nadu and the Union Territory of Puducherry (the Project States), and Parts C and F of the Project will be carried out by the State of Tamil Nadu, all with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the Credit provided for in Article II of this Agreement available to the Project States, as set forth in this Agreement; and

(C) by agreement to be entered into (the Grant Agreement) between the Association and the Borrower, the Association intends to provide a grant to assist the Borrower and the Project States in financing of Part D.6 of the Project, on terms and conditions to be set forth in the Grant Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association, and the Project States (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions for Credits and Grants" of the Association, dated July 1, 2005 (as amended through October 15, 2006) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.

(b) “Beneficiaries” means the tsunami affected and vulnerable families selected in accordance with paragraph 12(b)(i) and 12(c) of Schedule 2 to the Project Agreement;

(c) “Chennai Metropolitan Water Supply and Sewerage Board” or “CMWSSB” means the body established under the Chennai Metropolitan Water Supply and Sewerage Act, 1978, as amended;

(d) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006;

(e) “CRZ Notification” means the Coastal Regulation Zone Notification issued by the Borrower in 1991 under the Environment Protection Act, 1986, as such Notification may be amended from time to time;

(f) “DIU” means the district implementation unit established by and within the Rural Development and Panchayati Raj Department of Government of Tamil Nadu;

(g) “Eligible Categories” means Categories 1 and 2 set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(h) “Eligible Expenditures” means the expenditures for items referred to in Section 2.02 of this Agreement;

(i) “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework of the Project States dated March 31, 2005, and amended on August 4, 2008, which, inter alia, sets forth the environmental and social safeguards applicable to the Project, including the identification, assessment and mitigation of potential environmental, resettlement, and social impacts arising from carrying out Project activities, measures to protect cultural property, proposed management and mitigation measures, and the relevant institutional framework required, as updated by the Project States from time to time in a manner satisfactory to the Association;

(j) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 3.02(a) of the Project Agreement;

(k) “GAAP” means the Governance and Accountability Plan included in the Operational Manual-Part F, setting forth the key actions to be undertaken by Tamil

Nadu to strengthen governance, transparency, and accountability under Part F of the Project;

(l) “Housing Policy Framework” means the respective Housing Policy Framework of Tamil Nadu (as defined hereinafter) and Puducherry (as defined hereinafter) as set out in the Project Implementation Plan (as defined hereinafter) and the Operations Manual (as defined hereinafter) respectively, and as referred to in paragraphs 3(c) and 3(d)(iii) of Part A of Schedule 1 to this Agreement;

(m) “Housing Plan” means the respective Housing Plan of Tamil Nadu (as defined hereinafter) and Puducherry (as defined hereinafter) as set out in the Project Implementation Plan, (as defined hereinafter) and the Operations Manual (as defined hereinafter) respectively, and as referred to in paragraphs 3(c) and 3(d)(iii) of Part A of Schedule 1 to this Agreement;

(n) “Memorandum of Understanding” means the Memorandum of Understanding to be executed between Puducherry (as defined hereinafter) and PIA (as defined hereinafter) pursuant to Section 2.01(e) of the Project Agreement (as defined hereinafter);

(o) “Mid-term Review” means the Mid-term Review to be carried out pursuant to paragraph 15(c) of Schedule 2 to the Project Agreement;

(p) “Office of the State Relief Commissioner” or “OSRC” means Tamil Nadu’s (as defined hereinafter) Commissionerate of the Revenue Administration, which is responsible for carrying out disaster management activities in Tamil Nadu;

(q) “Operations Manual” means the Operations Manual to be adopted by Puducherry as referred to in paragraph 3(d)(iii) of Part A of Schedule 1 to this Agreement, and which sets out, inter alia, funds flow arrangements, implementation arrangements, internal controls and auditing and reporting arrangements for carrying out of Project by Puducherry, and which includes the Procurement Plan (as defined hereinafter) of Puducherry as the same may be amended by Puducherry from time to time in a manner satisfactory to the Association, and such term includes any schedules to the Operations Manual;

(r) “Operational Manual – Part F” means the Operational Manual adopted by Tamil Nadu on June 17, 2009 with respect to Part F of the Project, which sets out, inter alia, the eligibility criteria and selection procedures for selection of the Beneficiaries, guidelines for private land negotiations, funds flow and financial management arrangements, implementation arrangements, internal controls and auditing and reporting arrangements, and which includes the GAAP (as defined above), as the same may be amended by Tamil Nadu from time to time in a manner satisfactory to the Association, and such term includes any schedules to the Operational Manual – Part F;

- (s) “Puducherry” means the Borrower’s Union Territory of Puducherry;
- (t) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October 2006;
- (u) “Procurement Plan” means the procurement plan to be prepared by each Project State in accordance with paragraph 7 of Schedule 2 to the Project Agreement (as defined hereinafter), and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as such plan shall be updated from time to time in accordance with the provisions of said paragraphs, as the same shall be updated from time to time in accordance with the provisions of Section 2.02(b) of the Project Agreement; and the term “respective Procurement Plan” means the respective Procurement Plan of Tamil Nadu or Puducherry, as the case may be;
- (v) “Program” means the Borrower’s program of recovery and reconstruction to mitigate the impact of tsunami tidal waves that hit the Borrower’s territory on December 26, 2004, focusing, inter alia, on support and assistance to improve livelihood, micro-enterprises, housing and related civic and community facilities, other infrastructure including roads and ports, health, education, environment, and coastal protection and risk management;
- (w) “Project Agreement” means the agreement among the Association and the Project States of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (x) “Project Executing Agencies” means: (i) TNPEAs (as defined hereinafter); and (ii) PIA; and the term “respective Project Executing Agencies” means the respective Project Executing Agencies of Tamil Nadu and Puducherry, namely TNPEAs and PIA respectively;
- (y) “Project Implementation Agency” or “PIA” means the society to be established by Puducherry in accordance with paragraph 1(b)(ii) of Schedule 2 to the Project Agreement under the Borrower’s Societies Registration Act, 1860 (21 of 1860), as amended which shall, inter alia, be responsible for carrying out of the Project in Puducherry;
- (z) “Project Implementation Plan” means the implementation plan to be adopted by Tamil Nadu (as defined hereinafter) as referred to in paragraph 3(c) of Part A of Schedule 1 to this Agreement, and which sets out, inter alia, details of all procedures, guidelines, timetables, financial, institutional and implementation arrangements for carrying out of the Project by Tamil Nadu, and which includes the Procurement Plan of Tamil Nadu; as the same may be amended by Tamil Nadu from time to time, in a manner

satisfactory to the Association and such term includes any Schedules to the Project Implementation Plan;

(aa) “PIU” means the Project implementation unit created by Rural Development and Panchayati Raj Department of Government of Tamil Nadu;

(bb) “Project States” means Tamil Nadu (as defined hereinafter) and Puducherry;

(cc) “Project Management Unit” or “PMU” means the project management unit to be established by Tamil Nadu (as defined hereinafter) in accordance with paragraph 1(a)(iii) of Schedule 2 to the Project Agreement;

(dd) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(ee) “Rupees” and “Rs” mean the currency of the Borrower;

(ff) “Self-help Groups” means the existing groups of which Beneficiaries are members or the groups formed or joined by the Beneficiaries for the purpose of carrying out reconstruction of houses under Part A.2(A) and activities under Part B.2(a) of the Project;

(gg) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(hh) “Tamil Nadu” means the Borrower’s State of Tamil Nadu;

(ii) “Tamil Nadu Electricity Board” or “TNEB” means the body established under the Borrower’s erstwhile Electricity (Supply) Act, 1948 and continuing under the Borrower’s Electricity Act of 2003, as amended;

(jj) “Tamil Nadu Slum Clearance Board” or “TNSCB” means the body established under the Tamil Nadu Slum Areas (Improvement and Clearance) Act, 1971, as amended;

(kk) “Tamil Nadu Project Executing Agencies” or “TNPEAs” means: (i) all departments and agencies of Tamil Nadu which are responsible for implementation and execution of the Project in Tamil Nadu, including the Public Works Department (PWD), the Fisheries Department, the Agriculture Department, the Forest Department, the Rural Development and Panchayati Raj Department, the Revenue Department, and the Horticulture Department; (ii) the Tamil Nadu Slum Clearance Board (TNSCB); (iii) the Tamil Nadu Electricity Board (TNEB); (iv) the Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB); and (v) Urban Local Bodies (ULBs);

(ll) “Tamil Nadu Water Supply and Drainage Board” or “TWAD Board” means a statutory body formed by the Government of Tamil Nadu in 1971, to provide water supply and sewerage facilities in Tamil Nadu, except in the Chennai Metropolitan Area; and

(mm) “Tsunami Affected Areas” means (i) the areas in Tiruvallur, Chennai, Kancheepuram, Villupuram, Cuddalore, Thanjavur, Nagapattinam, Tiruvarur, Pudukottai, Ramanathapuram, Thothukudi, Tirunelveli and Kanniyakumari districts of Tamil Nadu; and (ii) the areas in Puducherry and Karaikal regions of Puducherry; affected by tsunami tidal waves that hit the Borrower’s territory on December 26, 2004.

ARTICLE II

The Credit

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement an amount in various currencies equivalent to Three Hundred Eight Million Four Hundred Thousand Special Drawing Rights (SDR 308,400,000) (the Credit).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of: (a) goods, works and services; and (b) houses under Parts A.2(C) and F.2 of the Project, Incremental Operating Costs, Training, Insurance, and Relocation Support, referred to and/or defined in paragraph 2 of Part A of Schedule 1 of this Agreement, all required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2011, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, such rate not to exceed the rate of one-half of one percent (1/2 of 1%) per annum;

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the respective rate set as of June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The respective rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing October 15, 2015 and ending April 15, 2040. Each installment to and including the installment payable on April 15, 2025, shall be one and one-fourth percent ($1\frac{1}{4}\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2\frac{1}{2}\%$) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association shall consider the Borrower creditworthy for Association lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment of the Credit to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. Dollar is hereby specified for the purposes of Section 3.07 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end without any limitation or restriction upon any of its other obligations under this Agreement, shall cause each Project State to perform in accordance with the provisions of the Project Agreement, all the obligations of such Project State therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Project State to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance, and shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

(b) The Borrower shall establish and implement arrangements, satisfactory to the Association, to make available to each Project State a portion of the proceeds of the Credit required by the Project State to carry out its portion of the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

Section 3.03. The Borrower shall: (i) participate in the exchange of views with the Association and the Project States on the plan for the future operation of the Project to be provided by the Project States pursuant to Section 2.03(b) of the Project Agreement; and (ii) participate with the Association and the Project States in the Mid-term Review.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 4.04, 4.05, 4.06, 4.07 and 4.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project shall be carried out by the Project States pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) The Borrower shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project and the Program, the performance of obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) The Borrower shall promptly inform the Association, of any condition which interferes or threatens to interfere with the progress of the Project and the Program, the accomplishment of the purposes of the Credit, or the performance by the Borrower of its obligations under this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Report-based Disbursement or were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with consistently applied accounting standards acceptable to the Association, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one (1) year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a)(i) of this Section and those for the Special Account for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02(m) of the General Conditions, the following additional events are specified:

- (a) The Project States shall have failed to perform any of their obligations under the Project Agreement;
- (b) PIA shall have failed to perform any of its obligations under the Memorandum of Understanding;
- (c) Puducherry shall have waived or failed to enforce any of the provisions of the Memorandum of Understanding;
- (d) The Memorandum of Understanding shall have been amended, suspended, abrogated or repealed so as to adversely affect the implementation of the Project or the achievement of the objectives of the Project;
- (e) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project States will be able to perform their obligations under the Project Agreement;
- (f) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that PIA will be able to perform its obligations under the Memorandum of Understanding.

Section 5.02. Pursuant to Section 6.06(f) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) through (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

(b) the event specified in paragraph (e) or (f) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 8.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by each Project State, and is legally binding upon such Project State in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 8.03 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance or successor thereto of the Borrower is each designated as representative of the Borrower for the purposes of Section 9.02 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	53-31-66175 FINE IN	91-11-2309-2511 91-11-2309-2477 91-11-2309-3133

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Chennai, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rachid Benmessaoud
Authorized Signatory
India

SCHEDULE 1**Withdrawal of the Proceeds of the Credit****Part A: General**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1)	Tamil Nadu		
	(a) Works under Part A.2(A) of the Project	6,000,000	62%
	(b) Works other than those under Part A.2(C) of the Project, goods, consultants' services, Insurance, Relocation Support, and Training	147,340,000	100%
	(c) Incremental Operating Costs	10,810,000	75%
	(d) Works (houses) under Part A.2(C) of the Project	7,860,000	100%
	(e) Houses under Part F.2 of the Project	56,420,000	80%
	(f) Unallocated	52,295,000	

	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2)	Puducherry		
	(a) Works under Part A.2(A) of the Project	515,000	60%
	(b) Works, goods, consultants' services and Training under Parts A, B, D and E of the Project	20,880,000	100%
	(c) Incremental Operating Costs	1,260,000	75%
	(d) Unallocated	5,020,000	
	TOTAL	308,400,000	

2. For the purposes of this Schedule:

(a) the term "Incremental Operating Costs" means expenditures incurred in respect of the hiring, maintenance and operation of vehicles, office equipment and furniture, general office expenses, communication expenses, and salaries and allowances of staff employed for the purposes of implementing the Project;

(b) the term "Insurance" means the cost of mandatory ten (10) year insurance coverage incurred by the Beneficiaries under Part F.2 of the Project;

(c) the term "Relocation Support" means cash payments to the Beneficiaries under Part F.2 of the Project for rent and relocation expenses; and

(d) the term "Training" means reasonable and necessary costs of training related to the Project, including the fees of educational or other institutions that provide training, costs related to attendance or organization of conferences, seminars and workshops, and the trainees' cost of travel, boarding, lodging and per diem allowances.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the

equivalent of SDR 19,900,000 may be made on account of payments made for expenditures before that date but after March 23, 2005;

(b) for expenditures under Categories (1) and (2) unless the Borrower has established and implemented arrangements referred to in Section 3.01(b) of this Agreement;

(c) for expenditures under Category (1) unless Tamil Nadu has adopted the Project Implementation Plan, including the Procurement Plan, the Housing Policy Framework and the Housing Plan, to the satisfaction of the Association; and

(d) for expenditures under Category (2) unless: (i) Puducherry has established PIA in a manner satisfactory to the Association; (ii) Puducherry has executed the Memorandum of Understanding with PIA in a manner satisfactory to the Association; and (iii) Puducherry has adopted the Operations Manual, including Procurement Plan, the Housing Policy Framework and the Housing Plan, to the satisfaction of the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$30,000 equivalent per contract; (b) works under Parts A, B, C, D, and E of the Project costing less than \$750,000 equivalent per contract, and works under Part F of the Project costing less than \$5 million equivalent per contract; (c) services of individual consultants costing less than \$100,000 equivalent per contract; and (d) services of consulting firms under contracts costing less than \$200,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

6. The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Association or the Bank shall have financed or agreed to finance under another credit or loan. If the Association determines at any time that an amount of the Credit was used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association, refund an amount equal to the amount of said payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

Part B: Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in the Reserve Bank of India, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower or the Project States shall have failed to furnish to the Association, within the period of time specified in: (A) Section 4.01(b)(ii) of this Agreement; (B) Section 3.01(b)(ii) or Section 3.01(c)(ii) of the Project Agreement; or (C) Section 3.02(b) of the Project Agreement, any of the reports required to be furnished to the Association pursuant to said Sections.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may

be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association, such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association, all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association, made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not Report-based Disbursements**

For the purposes of this Annex:

1. The term “Authorized Allocation” means the amount of \$50,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; or (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower and the Project States to revive livelihood and promote recovery in the Tsunami Affected Areas in the short-term, and to reduce the vulnerability of coastal communities to a range of natural hazards such as cyclone, storm surge, flood and tsunami over the long-term.

The Project is a slice of the Program and consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Housing Reconstruction

1. Building transit shelters for tsunami affected families for the purpose of providing temporary accommodation until completion of construction/reconstruction of houses under paragraph 2 of this Part A, and upgradation of services in the existing temporary shelter sites.
2. (A) Carrying out: (i) repair and reconstruction of houses which have been damaged or destroyed by the tsunami; and (ii) construction of new houses in resettlement areas; through, inter alia, the Beneficiaries, public construction, Self-help Groups and public-private partnerships; (B) provision of facilities and amenities related to housing repair, construction and reconstruction, comprising, inter alia, access roads, internal roads, water connections, latrines, storm drains, electrification, rainwater harvesting structure, and other community infrastructure facilities; and (C) provision of ready built houses for housing and relocation of the Beneficiaries in and around Chennai.
3. Resettlement of project affected families through, inter alia, construction of new houses and provision of related facilities and amenities as set forth in paragraph 2 above of this Part A.

Part B: Restoration of Livelihood

1. Carrying out a program to revitalize the livelihoods of tsunami affected families engaged in the fisheries sector including: (a) restoration of damaged fisheries infrastructure through, inter alia, repair of harbours, repair or acquisition of patrol boats, clearing of bar mouth and estuaries, and provision of aqua culture infrastructure; and (b) re-establishment of safety-at-sea systems and services.
2. Carrying out a program to revitalize the livelihoods of tsunami affected families engaged in agriculture, horticulture and livestock through, inter alia, (a) restoration of damaged agricultural and horticultural lands, farm ponds, and dug wells; (b) repair and

reconstruction of damaged infrastructure and upgradation of veterinary care services; and (c) promotion of sustainable management of coastal land and water resources.

Part C: Public Buildings and Public Works

1. Carrying out a program of repair, reconstruction and upgradation of damaged hospitals, public health centers/sub-centers, educational institutions, cyclone shelters and other public buildings and public works.
2. Restoration of damaged river and drain banks, and plantation/replantation of mangrove and shelter belts.

Part D: Technical Assistance and Training

1. Carrying out a program to strengthen the institutional capacity of the Project States and other entities involved in the implementation of the Project.
2. Carrying out a program of technical assistance and capacity building for housing reconstruction in the Tsunami Affected Areas including preparation of detailed project reports, land management, resettlement planning and land use zoning and demarcation, and for training of masons.
3. Carrying out a program for: (A) engaging the tsunami affected communities, especially the most vulnerable groups, in planning, deciding and implementing the housing reconstruction program and the livelihood restoration program; and (B) developing and strengthening mechanisms for communication, transparency and grievance redress.
4. Provision of technical assistance for strengthening the capacity of the Project States in the areas of preparation of social and environmental management plans, and updating the management plans under the Coastal Regulation Zone Notification.
5. Carrying out studies for assessment of the vulnerabilities and longer term issues and the needs associated with coastal zone protection and hazard risk management, and especially the vulnerabilities with Nagapattinam district in Tamil Nadu and Karaikal region of Puducherry.
6. (A) Carrying out studies for: (i) developing fisheries policy; and (ii) identifying possible new forms of livelihood support in coastal villages and training programs required for undertaking such new forms of livelihood support; and (B) conducting training programs so identified.

Part E: Implementation Support

1. Carrying out a program to assist the Project States in project management and supervision through, inter alia, undertaking technical and financial audits, quality assurance reviews, and continuous environmental and social assessment.
2. Provision of staffing, office equipment, furniture and vehicles, and carrying out of communication activities and general office administration to assist in implementing the Project.

Part F: Vulnerability Reduction of Coastal Communities

1. Construction of about 78 new evacuation shelters, construction or improvement of about 150 km of evacuation routes to improve road linkages to such shelters, and installation of early warning systems in villages within 1,000 meters of the High Tide Line (HTL).
2. Reconstruction of about 17,000 risk-prone houses in the 200-1,000 meter vicinity (except houses located in areas classified as CRZ – 1) of the HTL in 11 coastal districts of Tamil Nadu and provision of insurance assistance and relocation support to the Beneficiaries.
3. Provision of technical assistance and implementation support for Part F of the Project, including training of staff, including integrated disaster management planning and preparedness, habitation planning, and disaster resistant housing construction, training of masons and other construction workers in disaster resistant construction practices, capacity building of communities in the execution of disaster management plans, and protocols and procedures for maintenance and operation of early warning systems and evacuation shelters, management support, procurement assistance, monitoring, evaluation and audit.

* * *

The Project is expected to be completed by June 30, 2011.