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**CREDIT NUMBER 7375-IN**

# **Financing Agreement**

**(First Low-Carbon Energy Programmatic Development Policy Financing)**

**between**

**INDIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 7375-IN**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between INDIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework.

WHEREAS, the Recipient has requested the International Bank for Reconstruction and Development (“Bank”) to contribute to the financing of the Program with a loan in the amount of one billion four hundred forty-three million four hundred and thirty thousand Dollars (\$1,443,430,000).

The Recipient and the Association therefore hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 General Conditions or in the Appendix to this Agreement.

**ARTICLE II — CREDIT**

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of fifty-six million five hundred and seventy thousand Dollars (\$56,570,000), as such amount may be converted from time to time through a Currency Conversion (“Credit”).
- 2.02. The Front-end Fee is one quarter of one percent ( $\frac{1}{4}$  of 1%) of the Credit amount.
- 2.03. The Commitment Charge is one-quarter of one percent ( $\frac{1}{4}$  of 1%) per annum on the Unwithdrawn Credit Balance.
- 2.04. The Interest Charge is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.

- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

### **ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
  - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

- (b) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) have been fulfilled.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is any of the following officials acting severally: The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Recipient's Ministry of Finance.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Secretary  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
North Block  
New Delhi 110 001, India; and

(b) the Recipient's Electronic Address is:

|                 |                 |
|-----------------|-----------------|
| Facsimile:      | E-mail:         |
| +91-11-23094075 | secy-dea@nic.in |

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

|              |                |                       |
|--------------|----------------|-----------------------|
| Telex:       | Facsimile:     | E-mail:               |
| 248423 (MCI) | 1-202-477-6391 | wbindia@worldbank.org |

AGREED as of the Signature Date.

**INDIA**

By



\_\_\_\_\_  
**Authorized Representative**

**Name:** K. Manicka Raj \_\_\_\_\_

**Title:** Joint Secretary, FB&ADB \_\_\_\_\_

**Date:** 10-Nov-2023 \_\_\_\_\_

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By



\_\_\_\_\_  
**Authorized Representative**

**Name:** Auguste Tano Kouame \_\_\_\_\_

**Title:** Country Director \_\_\_\_\_

**Date:** 09-Nov-2023 \_\_\_\_\_

## SCHEDULE 1

### Program Actions; Availability of Credit Proceeds

#### Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

##### **Pillar I: Promoting Green Hydrogen**

1. The Recipient, through its Union Cabinet, has approved the National Green Hydrogen Mission (“NGHM”), which will facilitate demand and includes incentives for electrolyzer manufacturing, and green hydrogen (“GH”) production.
2. The Recipient, through the Ministry of New and Renewable Energy (“MNRE”), has issued recommendations to the relevant ministries on the adoption of relevant regulations, standards, codes, best practices, and procedures related to safety aspects of: (a) GH production; (b) GH safe storage and handling; and (c) GH utilization in the mobility sector.
3. The Recipient, through the Ministry of Power (“MoP”), has notified extension of the waiver of the inter-state transmission system (“ISTS”) charges towards consumption of renewable energy (“RE”) for GH and its derivatives production for projects to be commissioned until December 31, 2030.

##### **Pillar 2: Scaling up Renewable Energy**

4. The Recipient, through the MoP, has issued a government order on: (a) Renewable Purchase Obligations (“RPOs”); and (b) Energy Storage Obligations (“ESOs”) that mandate the purchase of a minimum specified share of power consumption from RE and energy storage, respectively, for all electricity distribution utilities.
5. The Recipient: (a) through the Central Electricity Regulatory Commission (“CERC”), has issued and notified the CERC (Ancillary Services) Regulations 2022, that provide a market-based mechanism to remunerate provision of energy storage services; and (b) through the MoP, has issued the guidelines on Pumped Storage Hydropower (“PSH”).
6. The Recipient, through the MNRE, has issued an implementation regulation to guide the bidding of 50 GW of RE capacity, including solar PV, wind, and firm power from RE and energy storage, each year from FY2023-24 to FY2027-28.
7. The Recipient: (a) through the MNRE, has adopted for strategy for competitive bidding for allocation of offshore wind sites; and (b) through the MoP, has

extended the waiver of the ISTS charges toward offshore wind until December 31, 2032.

8. The Recipient, through the MNRE, has issued an updated policy to provide production-linked incentives to high efficiency solar PV to remove the supply chain bottlenecks and reduce the costs of solar PV.

**Pillar 3: Enhancing climate finance for low-carbon energy investments**

9. The Recipient: (a) through the Parliament, has approved amendments to the Energy Conservation Act, 2001, that provide the legal framework for the launch of a national carbon market; and (b) through the Ministry of Environment, Forest, and Climate Change (“MoEFCC”), has approved GHG mitigation activities, including green hydrogen, green ammonia, RE with storage, and offshore wind, to be eligible for international carbon market to mobilize international financing under the Paris Agreement.
10. The Recipient, through the Securities and Exchange Board of India (“SEBI”), has issued amendments to the existing regulatory framework for Green Debt Securities (“GDS”) issuance, to specify the taxonomy and definition of GDS to include the emerging areas of sustainable financing and improve the information disclosure standards.
11. The Recipient, through the Ministry of Finance, has issued a transparent Sovereign Green Bond Framework for evaluating, selecting, and financing green public spending, including on green hydrogen, solar and wind energy, pursuant to which a separate reserve/corpus fund titled ‘Sovereign Green Fund’ account has been created.

**Section II. Availability of Credit Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Credit Amounts.** The Credit is allocated in: (a) a single withdrawal tranche, from which the Recipient may make withdrawals of the Credit proceeds; and (b) the amounts requested by the Recipient to: (i) pay: (A) the Front-end Fee; and (B) each Interest Rate Cap or Interest Rate Collar premium. The allocation of the amounts of the Credit to this end is set out in the table below:

| <b>Allocations</b>  | <b>Amount of the Credit Allocated<br/>(expressed in Dollars)</b> |
|---|--|
| (1) Single Withdrawal Tranche   | 56,428,575   |
| (2) Front-end Fee   | 141,425  |
| (3) Amount due pursuant to Section 4.06 (c) of the General Conditions | 0  |
| <b>TOTAL AMOUNT</b>   | <b>56,570,000</b>  |

**C. Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

**D. Deposit of Financing Amounts.**

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Indian Rupees equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

- E. Closing Date.** The Closing Date is December 31, 2023.



**SCHEDULE 2**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date (“Installment Share”).

**Level Principal Repayments**

| <b>Principal Payment Date</b>                    | <b>Installment Share</b> |
|--|--------------------------|
| On each May 15 and November 15                   |                          |
| Beginning November 15, 2024 through May 15, 2045 | 2.33 %                   |
| On November 15, 2045                             | 2.14 %                   |

## APPENDIX

### Section I. Definitions

1. “Bureau of Indian Standards” means the Recipient’s national standard body established under the Bureau of Indian Standards Act, 2016 for the development of the activities of standardization, marking and quality certification of goods and for matters connected therewith.
2. “Cabinet” means the Recipient’s council of ministers, as set forth in the Recipient’s constitution, or any successor thereto.
3. “Central Electricity Regulatory Commission” or “CERC” means the regulatory body set up under Section 76 of the Recipient’s Electricity Act, 2003, with the mandate among other things to regulate tariffs of power generating companies and promote the development of the power market.
4. “CERC (Ancillary Services) Regulations, 2022” means the CERC Ancillary Services Regulations, 2022, issued by CERC to govern services necessary to maintain grid operations.
5. “Energy Conservation Act, 2001” means the Recipient’s Energy Conservation Act, 2001, as amended, enacted to provide for the efficient use of energy and its conservation and related matters thereto.
6. “Energy Storage Obligations” or “ESOs” means a mandatory requirement to procure at least 85% of the total energy stored in energy storage systems from renewable energy sources.
7. “Environmental and Social & Governance” or “ESG” means a framework designed to be embedded into an organization's strategy that considers the needs and ways in which to generate value for all organizational stakeholders.
8. “Fiscal Year” or “FY” means the Recipient’s fiscal year, which begins on April 1 of each calendar year and ends of March 31 of the next calendar year.
9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
10. “Green Debt Securities” or “GDS” means debt securities where the proceeds raised are to be used for projects and/or assets under certain categories that address sustainable development or energy efficiency.
11. “GW” means gigawatt.

12. “Indian Rupees” means the lawful currency of the Recipient.
13. “ISTS” means inter-state transmission system.
14. “Loan Agreement” means the loan agreement between the Recipient and the Bank in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
15. “Ministry of Environment, Forestry, and Climate Change” or “MoEFCC” means the Recipient’s Ministry of Environment, Forestry and Climate Change, or any successor thereto.
16. “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto.
17. “Ministry of New and Renewable Energy” or “MNRE” means the Recipient’s Ministry of New and Renewable Energy, or any successor thereto.
18. “Ministry of Power” or “MoP” means the Recipient’s Ministry of Power, or any successor thereto.
19. “NGHM” means the National Green Hydrogen Mission, an action plan launched by the Recipient in January 2023 to establish a conducive green hydrogen ecosystem and catalyze large-scale green hydrogen investments, to eventually position India as a global hub for production, usage, and export of green hydrogen and its derivatives.
20. “Paris Agreement” means Paris Agreement to the United Nations Framework Convention on Climate Change, dated December 12, 2015, Treaties and Other International Acts Series No. 16-1104.
21. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 31, 2023 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
22. “Pumped Storage Hydropower” or (“PSH”) means a type of hydroelectric energy storage, with a configuration of two water reservoirs at different elevations that can generate power as water moves down from one to the other, passing through a turbine.
23. “PV” means photovoltaic.

24. “RE” means renewable energy.
25. “Renewable Purchase Obligations” or “RPOs” means a mechanism by which obligated entities are obliged to purchase a certain percentage of electricity from renewable energy sources, as a percentage of the total consumption of electricity.
26. “Securities Exchange Board of India” or “SEBI” means the Securities Exchange Board of India, established and governed under the Securities and Exchange Board of India Act, 1992 (15 of 1992), to, among other things, protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
27. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
28. “Single Withdrawal Tranche” means the amount of the Credit allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
29. “Sovereign Green Bond Framework” means the framework issued by the Recipient in November 2022, that sets out the obligations of the Recipient as the issuer of green bonds.
30. “Sovereign Green Fund” means the account opened by the Recipient to receive the proceeds of the sovereign green bonds pursuant to the Sovereign Green Bond Framework.
31. “States of Gujarat and Tamil Nadu” means the Recipient’s States of Gujarat and Tamil Nadu.