

CONFORMED COPY

CREDIT NUMBER 3396 IN

Development Credit Agreement

(Second Renewable Energy Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 11, 2000

CREDIT NUMBER 3396 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 11, 2000, 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) by an agreement of even date herewith between the International Bank for Reconstruction and Development (the Bank) and Indian Renewable Energy Development Agency Limited (IREDA), (the IREDA Loan Agreement) the Bank has agreed to make a loan to IREDA in an amount equal to \$80,000,000 (the Loan) to assist in financing Parts A and B of the Project on the terms and conditions set forth in the Loan Agreement;

(C) by an agreement of even date herewith between the Bank acting as implementing agency of the Global Environment Facility (GEF) and IREDA (the GEF Grant Agreement), the Bank has agreed to make a grant (the GEF Grant), to IREDA (as such the Recipient) in

an amount equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000) to assist in financing Part C of the Project on the terms and conditions set forth in the GEF Grant Agreement;

(D) the Project will be carried out by IREDA with the Borrower's assistance and, as part of such assistance, the Borrower will make available to IREDA the proceeds of the Credit as provided in this 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 Project Agreement of even date herewith between the Association and IREDA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), (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) "Eligible Category" means the category, set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(b) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement.

(c) "Environment Analysis Guidelines" means the Guidelines as approved by IREDA on May 6, 1998 setting forth, inter alia, the policies and procedures for carrying out environmental assessment and preparation of environment mitigation plans;

(d) "Energy Efficiency Services" means services provided by an ESCO to an energy consumer under Part B of the Project for an Investment Project;

(e) "Engineering Services" means supervision services, and erection, testing and commissioning services provided under Parts A and B of the Project for an Investment Project;

(f) "ESCOs" means Energy Service Companies approved by IREDA in accordance with eligibility criteria satisfactory to the Bank, and "ESCO" means each such company;

(g) "Fiscal Year" means the Fiscal Year of

the Borrower or IREDA beginning on April 1 of a calendar year and ending on March 31 of the following calendar year;

(h) "Investment Enterprise" means an enterprise, including an ESCO, which intends to carry out an Investment Project under Part A.1 or Part B of the Project and to which the Borrower proposes to make a Subloan;

(i) "Investment Project" means a specific scheme, including Energy Efficiency Services and Engineering Services, to be carried out under Part A.1 or Part B of the Project by an Investment Enterprise utilizing the proceeds of a Subloan;

(j) "IREDA" means Indian Renewable Energy Development Agency Limited, a company registered under the Companies Act, 1956 of the Borrower;

(k) "Memorandum and Articles of Association" means the Memorandum and Articles of Association of IREDA as amended to the date of this Agreement;

(l) "Policy Statement" means the operational policy statement dated December 24, 1992 of IREDA, as amended to the date of this Agreement, and as further revised pursuant to Section 6.01(c) of this Agreement;

(m) "Project Agreement" means the agreement between the Association and IREDA, 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;

(n) "Project Management Report" means each report prepared in accordance with Section 3.07 of the Project Agreement;

(o) "Rupees" means the currency of the Borrower;

(p) "Social Impact Assessment Framework" means the Framework as approved by IREDA on May 6, 1998 setting forth, inter alia, the policies and procedures for carrying out social impact assessments and where applicable, preparation of resettlement and rehabilitation plans and other developmental plans for people adversely affected as a result of the implementation of the Project, carrying out consultations, processing and redressing grievances and monitoring related impacts;

(q) "Special Account" means the account referred to in Part B of Schedule 1 of this Agreement;

(r) "Subloan" means a loan made or proposed to be made by IREDA from the proceeds of the Credit to an Investment Enterprise for an Investment Project under Part A.1 or Part B of the Project; and

(s) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and IREDA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty seven million two hundred thousand Special Drawing Rights (SDR 37,200,000).

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 amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made by an Investment Enterprise under a Subloan to meet the reasonable cost of goods, works and services required for the Investment Project in respect of which the withdrawal from the Credit Account is requested.

Section 2.03. The Closing Date shall be March 31, 2006 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, but 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 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment 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) and (c) 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, 2010 and ending April 15, 2035. Each installment to and including the installment payable on April 15, 2020 shall be one and one-fourth per cent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) 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 Bank shall consider the Borrower creditworthy for Bank 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 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 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 to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives 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 the Development Credit

Agreement, shall cause IREDA to perform in accordance with the provisions of the Project Agreement all the obligations of IREDA 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 IREDA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall re-lend the proceeds of the Credit to IREDA under a Subsidiary Loan Agreement to be entered into between the Borrower and IREDA, under terms and conditions as prescribed by the Borrower from time to time for IREDA.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall: (i) no later than October 31, 2001 provide to the Association a time-based action plan for the future development of IREDA, agreed to with the Association, taking into account the recommendations referred to the Borrower by IREDA pursuant to paragraph 3 (b) of Schedule 2 to the Project Agreement; and (ii) thereafter implement such action plan in accordance with the provisions of such plan.

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.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by IREDA pursuant to Section 2.03 of the Project 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 the Project Management Reports or statements of expenditures, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and 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 year after the Association has received the audit report for 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 appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six 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 (h) of the General Conditions, the following additional events are specified:

(a) IREDA shall have failed to perform any of its obligations under the Project Agreement, the IREDA Loan Agreement or the GEF Grant Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that IREDA will be able to perform its obligations under the Project Agreement.

(c) The Policy Statement as revised pursuant to Section 6.01 (c) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of IREDA or its ability to carry out the Project or to perform any of its obligations under the Project Agreement.

(d) The Memorandum and Articles of

Association of IREDA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of IREDA to perform any of its obligations under the Project Agreement.

(e) (i) The right of IREDA to withdraw the proceeds of the Loan or the GEF Grant made to IREDA for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part by the Bank, pursuant to the terms thereof, or

(ii) the Loan shall have become due and payable prior to the agreed maturity thereof.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

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

(b) any event specified in paragraphs (d) or (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and IREDA;

(b) all conditions precedent to the effectiveness of the IREDA Loan Agreement and the GEF Grant Agreement have been fulfilled other than those related to the effectiveness of this Agreement; and

(c) the Policy Statement has been revised in a manner satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by IREDA, and is legally binding upon IREDA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and IREDA and is legally binding upon the Borrower and IREDA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the

purposes of Section 12.04 of the General Conditions.

Section 6.04. The provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:	Telex:
ECOFAIRS New Delhi	953-3166175

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (RCA) 64145 (WUI)

or

or

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

INDIA

By /s/ R. S. Sharma
Authorized Representative

ASSOCIATION

INTERNATIONAL DEVELOPMENT

By /s/ Edwin R. Lim
Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

Part A: General

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

% of Expenditures to be Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)
Subloans for 100% of amounts under Parts A.1 and under Subloans B of the Project	37,200,000 Investment Projects disbursed by IREDA
TOTAL	37,200,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding SDR 3,800,000 may be made on account of payments made for expenditures before that date but after July 1, 1999; and (b) a Subloan unless the Subloan has been made for the relevant Investment Project in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 3 to the Project Agreement.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods for a private sector Investment Enterprise under contracts costing the equivalent of \$5,000,000 or less; (ii) goods for a public sector Investment Enterprise under contracts costing the equivalent of \$200,000 or less; (iii) works under contracts costing the equivalent of \$5,000,000 or less; (iv) Energy Efficiency Services under contracts costing the equivalent of \$1,000,000 or less; (v) consultant services under contracts less than \$100,000 equivalent for employment of consulting firms; and (vi) consultant services, \$50,000 for employment of individual consultants, all under such terms and conditions as the Association shall specify by notice to the Borrower.

Part B: Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association.

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) until the Association shall have received: (i) the first Project Management Report referred to in Section 3.07 of the Project Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 3.07 of the Project Agreement accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further 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 determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.07 of the Project Agreement;

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

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports or statements of expenditures.

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 subparagraph (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 the Development Credit Agreement.

Annex A to SCHEDULE 1

Operation of Special Account when Withdrawals are not made on the Basis of Project Management Reports

1. The term "Authorized Allocation" means an amount equivalent to \$3,000,000 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 made on the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all 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. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each applications 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; and

(b) the amount which the Association has determined, based on the Project Management Report accompanying said applications, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$10,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) increase power supply through investments in small hydro schemes; (ii) mobilize private sector investment in renewable energy; and (iii) promote energy efficiency and demand-side management investments.

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

Part A: Small Hydro Schemes

1. The carrying out of a total of about 30 MW of small scale hydro Investment Projects of up to 3 MW each including: (i) canal-based and dam toe schemes; (ii) run-of-river schemes; (iii) rehabilitation or upgrading of old plants; (iv) schemes using tail ends of cooling water systems of thermal power plants; and (v) stand alone micro-hydro schemes of up to 100 KW each.

2. The carrying out of a total of about 170 MWs of small scale hydro Investment Projects of up to 25 MW each including: (i) canal-based and dam toe schemes; (ii) run-of-river schemes; (iii) rehabilitation or upgrading of old plants; (iv) schemes using tail ends of cooling water systems of thermal power plants; and (v) stand alone micro-hydro schemes of up to 100 KW each.

Part B: Energy Efficiency and Demand-Side Management Investments

The carrying out of Investment Projects for (i) purchase and installation of energy efficiency systems devices and systems; (ii) production of energy efficient equipment; (iii) design, development and implementation of integrated energy management services operated by ESCOs on a performance guarantee basis; and (iv) other utility-sponsored demand-side management programs.

Part C: Technical Assistance and Training

(a) Strengthening IREDA's capacity to appraise and supervise energy efficiency Investment Projects through the provision of consultancy services and training.

(b) Improving the marketing of the energy

efficiency and demand-side management investments under Part B of the Project through the provision of consultancy services to prepare business development modules, model bid documents and informative packages.

(c) Promoting private sector participation in end-use efficiency including thorough development of appropriate policy incentives through the provision of consultancy services to various state energy development entities, and training for public and private sector on energy conservation and demand-side management.

* * * *

The Project is expected to be completed by September 30, 2005.

