

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4665 IN

Loan Agreement

(Mumbai Urban Transport Project)

between

INDIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 5, 2002

Public Disclosure Authorized

LOAN NUMBER 4665 IN

LOAN AGREEMENT

AGREEMENT, dated August 5, 2002, between INDIA, acting by its President (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Project will be carried out in part by the State of Maharashtra (Maharashtra) and in part by Mumbai Railway Vikas Corporation Limited (MRVC), with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Maharashtra and part of the proceeds thereof to MRVC, as set forth in this Agreement;

(C) the Borrower has also requested the International Development Association (the Association) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Association (the Development Credit Agreement), the Association has agreed to provide such assistance in an aggregate principal amount equivalent to sixty two million five hundred thousand Special Drawing Rights (SDR 62,500,000) (the Credit); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (the IBRD 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). “BEST” means the Brihan Mumbai Electrical Supply and Transportation, a public undertaking wholly-owned and controlled by MCGM;

(b) “BEST Subsidiary Financing Agreement” means the agreement referred to in Section 2.05 (a) (iv) of the Maharashtra Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the BEST Subsidiary Financing Agreement;

(c) “CEA” means the consolidated environmental impact assessment, dated April 2002, issued by Maharashtra, setting forth a comprehensive overview of the environmental aspects of the Project, including potential environmental impacts, measures to protect cultural property and the natural habitat, air quality and noise pollution standards, proposed management and mitigation measures, and the relevant institutional framework required or appropriate to manage environmental issues;

(d) “CEMP” means the Community Environment Management Plan referred to in paragraph 7 (a) (ii) of Schedule 2 to the Maharashtra Project Agreement;

(e) “EA” means an environmental impact assessment referred to in paragraph 6 (a) (i) of Schedule 2 to the Maharashtra Project Agreement or paragraph 4 (a) (i) of Schedule 2 to the MRVC Project Agreement, as the case may be;

(f) “Eligible Categories” means categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(g) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(h) “EMP” means the Environmental Management Plan referred to in paragraph 6 (a) (ii) of Schedule 2 to the Maharashtra Project Agreement or paragraph 4 (a) (ii) of Schedule 2 to the MRVC Project Agreement, as the case may be;

(i) “Fiscal Year” and “FY” mean the Borrower’s fiscal year, beginning April 1 in any calendar year and ending March 31 in the following calendar year;

(j) “Maharashtra” means the State of Maharashtra, a State of India;

(k) “Maharashtra Project Agreement” means the agreement between the Bank and Maharashtra 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 Maharashtra Project Agreement;

(l) “MCGM” means Municipal Corporation of Greater Mumbai;

(m) “MCGM Subsidiary Financing Agreement” means the agreement referred to in Section 2.05 (a) (iii) of the Maharashtra Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the MCGM Subsidiary Financing Agreement;

(n) “MMR” means the Mumbai Metropolitan Region;

(o) “MMRDA” means the Mumbai Metropolitan Region Development Authority;

(p) “MoR” means Ministry of Railways of the Borrower;

(q) “MRVC” means the Mumbai Railway Vikas Corporation Limited, a public sector undertaking jointly owned by the Borrower and Maharashtra;

(r) “MRVC Memorandum of Understanding” means the agreement referred to in Section 3.01(b) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the MRVC Memorandum of Understanding;

(s) “MRVC Project Agreement” means the agreement between the Bank and MRVC 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 MRVC Project Agreement;

(t) “MRVC Subsidiary Financing Agreement” means the agreement referred to in Section 2.05 (a) (i) of the Maharashtra Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the MRVC Subsidiary Financing Agreement;

(u) “MSRDC” means the Maharashtra State Road Development Corporation;

(v) “MSRDC Subsidiary Financing Agreement” means the agreement referred to in Section 2.05 (a) (ii) of the Maharashtra Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the MSRDC Subsidiary Financing Agreement;

(w) “NGO” means non-governmental organization;

(x) “PAPs” means Project-Affected Persons, including households, business units; workers; owners of land, buildings and other assets affected by the Project; non-

resident landowners; non-resident lessees; resident landlords; resident lessees, tenants and sub-tenants; squatters; pavement dwellers; and male and female members of households, their family members and relatives living under their protection or control;

(y) “PIP” means the Project Implementation Plan referred to in paragraph 3 of Schedule 2 to the Maharashtra Project Agreement;

(z) “PMU” means Project Management Unit referred to in paragraph 1 (c) of Schedule 2 to the Maharashtra Project Agreement;

(aa) “Project Implementation Plan” or “PIP” means the Borrower’s Project Implementation Plan, dated May 2002, giving details of operational guidelines and procedures agreed upon with the Association and the Bank for the implementation, monitoring and supervision of the Project, including: (i) project management arrangements and procedures, and implementation schedules; (ii) procedures for the selection of Subprojects; (iii) administrative, accounting and financial procedures; (iv) procurement and disbursement arrangements; (v) performance indicators, monitoring and evaluation guidelines; (vi) social and environmental assessment methodology; and (vii) institutional and monitoring procedures to ensure strict compliance with social and environmental safeguard measures and reporting obligations thereunder;

(bb) “Project Implementing Agency” or “PIA” means anyone or more of the following agencies responsible for the implementation of the Project:

- (i) in the case of Part A of the Project, MRVC;
- (ii) in the case of Parts B.1, B.2 (c), and B.4 (a), (b), (d) and (g) of the Project, MCGM;
- (iii) in the case of Part B.3 of the Project, BEST;
- (iv) in the case of Parts B.2 (a) and (b) of the Project, MSRDC; and
- (v) in the case of Parts B.4 (c), (e) and (f), and C of the Project, MMRDA;

(cc) “Project Management Report” means a report prepared in accordance with Section 3.02 of the Maharashtra Project Agreement or MRVC Project Agreement, as the case may be;

(dd) “Project Preparation Advance” means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on November 15, 1994, and on behalf of the Borrower on December 13, 1994;

(ee) “R & R” means the resettlement and rehabilitation activities under Part C of the Project;

(ff) “RAP” means the Resettlement Action Plan, dated April 2002, issued by Maharashtra, giving details of policy provisions and the legal and institutional framework governing R & R, including the magnitude of land acquisition and displacement, findings of socio-economic surveys and baseline characteristics, organizational responsibilities, the process for two-stage resettlement, generic timetable for construction of transit and permanent housing units, consolidated costs and budgets, and performance criteria and process monitoring indicators;

(gg) “RIP” means the resettlement implementation plan referred to in paragraph 7 (a) (i) of Schedule 2 to the Maharashtra Project Agreement;

(hh) “ROB” means Road Over Rail Bridges;

(ii) “SEMP” means the Sectoral-level Environment Management Plan, dated May 2002, giving details of policy, legal and administrative measures appropriate or required to mitigate and manage potential environmental impacts arising at the sectoral level as a result of the Project or any part thereof;

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

(kk) “Subproject” means any civil works, or other rail or road network construction, extension or expansion activity, under the Project;

(ll) “Subsidiary Financing Agreement” means any one or more of the BEST Subsidiary Financing Agreement, MCGM Subsidiary Financing Agreement, MRVC Subsidiary Financing Agreement and MSRDC Subsidiary Financing Agreement; and

(mm) “TMU” means Traffic Management Unit of MCGM.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to four hundred sixty three million dollars (\$463,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semi-annually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement:

- (i) shall cause Maharashtra to perform in accordance with the provisions of the Maharashtra Project Agreement all the obligations of Maharashtra therein set forth;
- (ii) acting through MoR, shall cause MRVC to perform in accordance with the provisions of the MRVC Project Agreement all the obligations of MRVC therein set forth;
- (iii) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Maharashtra and MRVC, respectively, to perform such obligations; and
- (iv) shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall:

- (i) make the entire proceeds of the Loan allocated to Part B of the Project, as well as half the proceeds of the Loan allocated to Part A of the Project, available to Maharashtra in accordance with the Borrower's standard arrangements for developmental assistance to the States of India; and
- (ii) acting through MoR, make available the other half of the proceeds of the Loan allocated to Part A of the Project to MRVC under a memorandum of understanding (hereinafter referred to as MRVC Memorandum of Understanding) to be entered into between the Borrower and MRVC, on a non-reimbursable basis, and under such other terms and conditions as shall be acceptable to the Bank.

(c) The Borrower shall, acting through MoR, exercise its rights under the MRVC Memorandum of Understanding in such manner as to protect the interests of the

Borrower and the Bank, and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the MRVC Memorandum of Understanding or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Maharashtra Project Agreement and MRVC Project Agreement, respectively.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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 Maharashtra and MRVC pursuant to Section 2.03 of the Maharashtra Project Agreement and MRVC Project Agreement, respectively.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, 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 year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank'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 Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such Fiscal Year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management Reports or 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 Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. The Borrower shall take steps to ensure that the surcharge collection in suburban railway tariffs shall be promptly approved and implemented.

ARTICLE V

Remedies of the Bank

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

(a) Maharashtra or MRVC shall have failed to perform any of its obligations under the Maharashtra Project Agreement or MRVC Project Agreement, respectively;

(b) 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 Maharashtra or MRVC will be able to perform its obligations under the Maharashtra Project Agreement or MRVC Project Agreement, respectively.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) 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 Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

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

(a) the MRVC Memorandum of Understanding has been executed on behalf of the Borrower and MRVC;

(b) the Subsidiary Financing Agreements have been executed on behalf of their respective parties.

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

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

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

(c) the MRVC Memorandum of Understanding has been duly authorized or ratified by the Borrower and MRVC, and is legally binding upon the Borrower and MRVC in accordance with its terms; and

(d) the Subsidiary Financing Agreements have been duly authorized or ratified by the respective parties thereto, and are legally binding upon the respective parties thereto in accordance with their 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance 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:

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

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN 953-31-61430 FINE IN	91-11-3013133 or 91-11-3017511

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD 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 New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Adarsh Kishore

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edwin R. Lim

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works:		80%
(a) under Part A of the Project	9,700,000	
(b) under Part B of the Project	97,260,000	
(2) Goods:	100% of foreign	
(a) under Part A of the Project	284,630,000	expenditures, 100% of local expenditures (ex-factory cost); and
(b) under Part B of the Project	25,720,000	80% of local expen- -ditures for other items procured locally
(3) Consultants' services:		80%
(a) under Part A of the Project	8,510,000	
(b) under Part B of the Project	20,490,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(4) Services of NGOs and educational institutions, and training		100%
(a) under Part A of the Project	560,000	
(b) under Part B of the Project	500,000	
(5) Refunding of PPF Advance	3,000,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(6) Fee	4,630,000	Amount due under Section 2.04 of this Agreement
(7) Unallocated	8,000,000	
TOTAL	<u>463,000,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods, works or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods, works or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,000,000 may be made in respect of Category (3) set forth in the table in Part A.1 of this Schedule on account of payments made for expenditures under Subprojects incurred before that date but after September 1, 2001, subject, however, to compliance with social and environmental provisions applicable to such Subprojects and set forth in the Maharashtra Project Agreement and MRVC Project Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts not exceeding \$500,000 equivalent each; (ii) goods under contracts not exceeding \$200,000 equivalent each; (iii) services of consultants under contracts not exceeding \$100,000 equivalent each, in the case of consulting firms, and \$50,000 equivalent each, in the case of individual consultants; and (iv) training and studies; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

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 Bank.

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

(a) until the Bank shall have received: (i) the first Project Management Report; 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 Bank of the first Project Management Report, 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.02 of the Maharashtra Project Agreement or MRVC Project Agreement;

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

(c) if the Borrower, Maharashtra or Indian Railways shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, or Section 3.01 (b) (ii) of the Maharashtra Project Agreement or MRVC Project Agreement, as the case may be, any of the audit reports required to be furnished to the Bank pursuant to said Sections in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records, accounts and financial statements reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports or statements of expenditure.

5. The Bank 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 Bank 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 Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan 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 Made

On the Basis of Project Management Reports

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to \$30,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$15,000,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal or exceed the equivalent of \$150,000,000.

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 Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan, minus the total amount of all outstanding special commitments entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank 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 Bank from the Loan Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank has determined, based on the Project Management Report accompanying said application, 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 \$60,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to facilitate urban economic growth and improve quality of life by fostering the development of an efficient and sustainable urban transport system including effective institutions to meet the needs of the users in the Mumbai Metropolitan Region (MMR).

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: Rail Transport Component

1. Service Efficiency Improvements

(a) Carrying out of a program of optimization of Western Railway, including lengthening of platforms, re-signaling, increased power capacity, removal of level crossings, establishment of one new station at Oshiwara, introduction of additional trains, and increase in the spacing between the centre lines of the two tracks between Virar and Dahanu.

(b) Carrying out of a program of optimization of Central Railway, including lengthening of platforms, increased power supply, re-conditioning of track, re-signaling of slow and fast tracks, removal of one level crossing at Vikhroli and removal of speed restrictions on turnouts at Dadar, Kurla and Thane, and introduction of additional trains.

(c) Carrying out of a program of optimization of Harbour Line Railway, including increased power supply, improvement in track and drainage structures, and re-signaling, and introduction of additional trains.

(d) Conversion of the entire Mumbai suburban railway system (excluding CST–Thane section of Central Railway) from 1500V DC to 25,000V AC traction, including modification of overhead catenary, establishment of new traction power substations and modifications to signal and telecommunications systems.

(e) Provision of improved maintenance equipment and facilities, including improved track maintenance, improvement to drainage system, car shed maintenance works and provision of equipment for the development of modern facilities for maintenance of trains at Virar.

2. New Rolling Stock/Kits. Implementation of a program designed to increase the capacity and frequency of train service on the Mumbai suburban rail service, including acquisition of new Electric Multiple Units (EMUs), as well as kits to be used to convert existing trains from DC to DC/AC operation.

3. Network Expansion

(a) Provision of a railway line on the Western Railway between Santacruz and Mahim, and modification of the Harbor Line flyover at Mahim, and introduction of additional trains.

(b) Provision of an additional pair of tracks on the Western Railway between Borivali and Virar, and four lines between Borivali and Churchgate for suburban services, construction of a two-km bridge at Vasai creek, and a new maintenance shed at Virar, and introduction of additional trains.

(c) Construction of two additional railway lines covering a distance of 16 km on the Central Railway between Kurla and Thane, and introduction of additional trains.

4. Institutional Strengthening and Technical Assistance. Provision of technical advisory services to undertake studies, training and engineering designs in a number of areas, including: station design and engineering; track maintenance and drainage improvements; strengthening of rolling stock maintenance system and design of facilities, overhead equipment and sub-station optimization; development or strengthening, as the case may be, of commercial development strategy of Indian Railways; development or strengthening, as the case may be, of financial, costing and project management systems; strengthening of quality control and testing processes for suburban rolling stock; enhancement of the reliability of signals and telecommunications, costing system for sharing of costs for common rail infrastructure; updating of the urban rail transport strategy through a simulation study; and pre-investment studies.

Part B: Road-based Transport Component

1. Traffic Management

(a) Implementation of a computer-controlled area traffic control system for the island city of Mumbai, including traffic signals, controllers and vehicle detection equipment, a central computer, communications system, control rooms, together with junction channelisation, minor junction improvements, and provision for signal-controlled pedestrian crossings.

(b) Provision of pedestrian crossings, pedestrian bridges or underpasses at critical locations along major road corridors, and design and implementation of a program of footpath improvements.

(c) Implementation of station area traffic improvement schemes (SATIS) to improve non-rail side transportation access to and from railway stations in the MCGM area, including: (i) minor works involving footways, pedestrian crossings and bus stands to reduce conflicts between pedestrian traffic and bus, taxi and other intermediate forms of transportation; (ii) reorganization of traffic management and circulation patterns, and parking arrangements, and minor road works; and (iii) regularization and/or relocation of street trading activities.

(d) Implementation of traffic management measures and minor road works, developed under Part B.4 (a) of the Project, including programs for pedestrian facilities, parking control, station area traffic improvement schemes and remedial measures at accident blackspot junctions.

2. Road Network Strengthening

(a) Improvement of the Jogeshwari – Vikhroli Link Road connecting the Eastern and Western Express Highways, including widening of the western section and other deficient sections of the dual carriageway, traffic management and minor alignment improvements in the eastern section, junction improvements along the road and intersection improvements at the Eastern and Western Express Highways.

(b) Improvement of the Santacruz – Chembur Link Road connecting the Eastern and Western Express Highways, including construction of a ROB across the Central Railway tracks north of Kurla, approach roads and junction improvements on the Eastern and Western Express Highways.

(c) Construction of Road Over Rail Bridges (ROBs) to eliminate the residual main road – rail level crossings at Jogeshwari North, Jogeshwari South and Vikhroli, including construction of ROBs, approach roads and junctions and, where required, provision of grade-separated rail-pedestrian crossing facilities.

3. BEST

(a) Provision of technical advisory services to assist BEST in the preparation, implementation and annual review and update of its 5-year business plan, including: (i) separation of bus division accounts from those of the electricity division, (ii) rationalization of staffing patterns, and (iii) contracting out of bus service delivery to the private sector, (iv) efficiency gains, and (v) progressive elimination of deficit (including provision for capital charges).

(b) Acquisition of new buses required to enhance the bus fleet of BEST.

4. Institutional Strengthening and Capacity Building

(a) Provision of technical advisory services and material assistance to support the establishment of the TMU and develop its capacity to plan, design and implement traffic management and safety schemes and road works, facilitate the development and implementation of a traffic management plan and program, and promote better coordination between TMU and the traffic police.

(b) Provision of technical advisory assistance and material assistance to support the creation of a road maintenance management system, including adoption of procedures to develop programs, identification of priorities and preparation of budgets to enable road maintenance to be undertaken in an efficient and targeted manner by MCGM.

(c) Provision of technical advisory assistance and material assistance to update the Comprehensive Transportation Strategy for MMR, including: (i) updating of the database, upgrading of the existing model, and updating of the long-term strategy and medium term transportation plan for Mumbai; and (ii) creation of a planning, programming and budgeting system for transport investments and operations, and formulation of a five-year rolling program for all modes of transport.

(d) Provision of technical advisory assistance and material assistance to strengthen the accident recording, analysis and reporting system of the traffic police, improve its linkage with TMU, and use data provided by the traffic police to develop and implement a multi-year blackspot improvement scheme.

(e) Provision of technical advisory assistance and material assistance to enable MMRDA to develop and implement a public relations and communications strategy.

(f) Provision of technical advisory assistance and material assistance to enable MMRDA to develop a strategy and produce an action plan designed to rely on user charges to achieve demand management in the Island City of Mumbai.

(g) Provision of technical advisory assistance and material assistance to support the implementation of an air quality monitoring and vehicle emission control, including formulation of a vehicle inspection and maintenance program, and an overall motor vehicle emission control strategy.

Part C: Resettlement and Rehabilitation Component

1. Procurement of housing units for the permanent resettlement of PAPs displaced under the Project.
2. Construction of transit housing units to provide temporary accommodation for PAPs requiring to be resettled as a matter of urgency for reasons of public safety or in response to a decision of a court of law.
3. Acquisition of land for both civil works and resettlement purposes.
4. Provision of technical advisory services for the preparation, implementation and monitoring of the resettlement and rehabilitation program, and training of staff and NGOs involved in the implementation of the program.
5. Provision of compensation to PAPs for increased travel distance from new houses to the workplace, and for permanent loss of livelihood opportunities.

* * *

The Project is expected to be completed by December 31, 2007.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
March 15, 2008	12,825,000
September 15, 2008	12,985,000
March 15, 2009	13,145,000
September 15, 2009	13,310,000
March 15, 2010	13,475,000
September 15, 2010	13,645,000
March 15, 2011	13,815,000
September 15, 2011	13,985,000
March 15, 2012	14,160,000
September 15, 2012	14,335,000
March 15, 2013	14,515,000
September 15, 2013	14,695,000
March 15, 2014	14,880,000
September 15, 2014	15,065,000
March 15, 2015	15,250,000
September 15, 2015	15,440,000
March 15, 2016	15,635,000
September 15, 2016	15,825,000
March 15, 2017	16,025,000
September 15, 2017	16,225,000
March 15, 2018	16,425,000
September 15, 2018	16,630,000
March 15, 2019	16,835,000
September 15, 2019	17,045,000
March 15, 2020	17,260,000
September 15, 2020	17,475,000
March 15, 2021	17,690,000
September 15, 2021	17,910,000
March 15, 2022	18,135,000
September 15, 2022	18,360,000

* The figures in this column represent the amounts in dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.