

CONFORMED COPY

LOAN NUMBER 4571 IN
CREDIT NUMBER 3396 IN

Project Agreement

(Second Renewable Energy Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED

Dated August 11, 2000

LOAN NUMBER 4571 IN
CREDIT NUMBER 3396 IN

PROJECT AGREEMENT

AGREEMENT, dated August 11, 2000 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED (IREDA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between India, acting by its President (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirty seven million two hundred thousand Special Drawing Rights (SDR 37,200,000) (the Credit), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that IREDA agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and IREDA, the proceeds of the credit provided for under the Development Credit Agreement will be relented to IREDA on the terms and conditions set forth in said Subsidiary Loan Agreement;

(C) IREDA and the Borrower have also requested the International Bank for Reconstruction and Development (the Bank) to provide additional financial assistance towards the financing of the Project and the Bank is agreeing to provide such assistance in an amount equal to eighty million dollars (\$80,000,000) (the Loan);

(D) IREDA and the Borrower have also requested the International Bank for

Reconstruction and Development (the Bank) acting as implementing agency of the Global Environment Facility (GEF) to provide additional financial assistance towards the financing of Part C of the Project and the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000) (the GEF Grant); and

WHEREAS IREDA, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) IREDA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Parts A.1 and B of the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with its Memorandum and Articles of Association and the Policy Statement.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and IREDA shall otherwise agree, IREDA shall: (i) carry out Parts A.1 and B of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement; and (ii) make the Subloans on terms and conditions set forth in Schedule 3 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for Parts A.1 and B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Section I of Schedule 1 to this Agreement.

Section 2.03. IREDA shall carry out 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) in respect of the Project Agreement.

Section 2.04. IREDA shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, IREDA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof. Section 2.05. (a) IREDA shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

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

ARTICLE III

Financial Covenants

Section 3.01. IREDA shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the

Bank, adequate to monitor and record the progress of the Project and of each Investment Project (including its cost and benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of IREDA and to register separately the operations, resources and expenditures related to the Project and each Investment Project.

Section 3.02. IREDA shall:

(a) have the records referred to in Section 3.01 of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each Fiscal Year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association, as soon as available but in any case not later than six months after the end of each such year (A) certified copies of said financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning said records, accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

Section 3.03. IREDA shall take such steps satisfactory to the Association as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including the currency of the Borrower) used in its operations.

Section 3.04. (a) Except as the Association shall otherwise agree, IREDA shall not incur any debt, if after the incurrence of such debt the ratio of debt to revolving fund shall be greater than 5 to 1.

(b) For purposes of this Section:

(i) The term "debt" means any indebtedness of IREDA maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a credit contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date of the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.

(iii) The term "revolving fund" means the aggregate of equity and grants.

(iv) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of IREDA not allocated to cover specific liabilities.

(v) The term "grants" means the sum of the total non-reimbursable funds made available to IREDA other than equity and program subsidies.

(vi) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section 3.05. (a) Except as the Association shall otherwise agree, IREDA shall ensure that for each Fiscal Year their cash flow available for debt service shall be at least 1.3 times their debt service requirements.

(b) For the purposes of this Section:

(i) The term "cash flow available for debt service" for any year means the sum of net cash revenue of IREDA, cash loan collections (repayments only), and interest and other charges on debt for that year;

(ii) The term "net cash revenue" for any year means the sum of the net profit after tax, depreciation and other non-cash operating charges, and accrued interest differential for that Fiscal Year;

(iii) The term "accrued interest differential" for any Fiscal Year means the difference between the accrued interest income outstanding at the beginning of the year and the accrued interest outstanding at the end of the year;

(iv) The term "debt service requirements" means the sum of the aggregate amount of interest and other charges and principal repayment liabilities on debt;

(v) The term "debt" means any indebtedness of IREDA maturing by its terms more than one year after the date on which it is originally incurred;

(vi) Debt shall be deemed to be incurred: (A) under a credit contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date of the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding; and

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the case of currency converted under swap agreements the rate at which such currency was converted, or in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section 3.06. IREDA shall take all such measures as may be necessary or required, satisfactory to the Association, in order to meet the financial performance targets set out in the Policy Statement, and shall not take any action that may prevent or interfere with the achievement of such targets.

Section 3.07. IREDA shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter, a Project Management Report for such period, which:

(a) (i) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and

(ii) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

- (b) (i) describes physical progress in Project implementation both cumulatively and for the period covered by said report; and
- (ii) explains variances between the actual and previously forecast implementation targets; and
- (c) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of IREDA thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify IREDA of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

Telex:

INDEVAS 248423 (RCA) or
Washington, D.C. 64145 (WUI)

For IREDA:

Indian Renewable Energy Development Agency Limited
Core 4-A, East Court, 1st Floor, India Habitat Centre Complex
Lodi Road, New Delhi 110003, India

Cable address:

ALTERNATE-ND-3
New Delhi

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of IREDA may be taken or executed by the Managing Director or such other person or persons as IREDA shall designate in writing, and IREDA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

INDIAN RENEWABLE ENERGY DEVELOPMENT
AGENCY LIMITED

By /s/ V. Bakthavatsalam

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Association in January 1995, revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods, works and Energy Efficiency Services shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. Limited International Bidding

Energy Efficiency Services estimated to cost the equivalent of \$1,000,000 or less per contract which the Association agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Civil works estimated to cost the equivalent of \$10,000,000 or less per contract and goods for a public sector Investment Enterprise estimated to cost the equivalent of \$200,000 or less per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International/National Shopping

(a) Goods for a private sector Investment Enterprise estimated to cost the equivalent of \$5,000,000 or less per contract may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Specialized equipment (office equipment, monitoring and testing equipment, computer hardware and software, and instruments for monitoring and testing) estimated to cost the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent from the proceeds of the Credit and the Loan may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Commercial Practice

(a) Goods for a private sector Investment Enterprise estimated to cost the equivalent of \$50,000 or less per contract up to an aggregate amount not to exceed the equivalent of \$30,000,000 from the proceeds of the Credit and the Loan may be procured on the basis of established commercial practice acceptable to the Association.

(b) Civil works for a private sector Investment Enterprise estimated to cost the equivalent of \$5,000,000 or less per contract may be procured on the basis of established commercial practice acceptable to the Association.

(c) Energy Efficiency Services estimated to cost the equivalent of \$50,000 or less per contract up to an aggregate amount not to exceed the equivalent of \$5,000,000 from the proceeds of the Credit and the Loan may be procured on the basis of established commercial practice acceptable to the Association.

5. Force Account

Works for a public sector Investment Enterprise which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$50,000 equivalent or less per contract up to an aggregate amount not to exceed \$2,000,000 equivalent may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines. 6. Definitions

For purposes of this Schedule:

(a) the term "public sector Investment Enterprise" means an enterprise registered under the relevant laws of the Borrower in which at least 51 percent of the shares are owned by the Borrower and/or any of its constituent States or Union Territories and/or their public sector enterprise(s); and

(b) the term "private sector Investment Enterprise" means an enterprise

registered under the relevant laws of the Borrower which is majority-owned by the private sector.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for: (i) works estimated to cost more than the equivalent of \$5,000,000; (ii) Energy Efficiency Services estimated to cost more than the equivalent of \$1,000,000; (iii) goods for a private sector Investment Enterprise estimated to cost more than the equivalent of \$5,000,000; and (iv) goods for a public sector Investment Enterprise estimated to cost more than the equivalent of \$200,000, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II: Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services under Parts A.1 and B of the Project shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Services under Parts A.1 and B of the Project which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the

Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. IREDA shall: (i) at all times implement the Project in accordance with its Policy Statement; (ii) promptly inform the Association of any changes made, or proposed to be made, by its Board to the Policy Statement; and (iii) consult with the Association prior to introducing any material changes to the Policy Statement.

2. IREDA shall engage in accordance with terms of reference satisfactory to the Association the services of independent consultants to perform a comprehensive financial audit and review of the portfolio risk based on international accounting standards and international auditing guidelines, and shall complete such audit and review no later than November 30, 2000.

3. IREDA shall: (a) no later than March 31, 2001 provide to the Association a time-based action plan for the future development of IREDA, satisfactory to the Association, taking into account the recommendations of the financial audit and portfolio review referred to in paragraph 2 above in respect of those matters which are within the jurisdiction of IREDA; (b) refer those recommendations to the Borrower which are within the jurisdiction of the Borrower; and (c) thereafter implement such action plan in accordance with the provisions of such plan.

4. Each Investment Project estimated to cost the equivalent of \$5,000,000 or more, the first two Investment Projects under Part B of the Project (other than those carried out by ESCOs) and the first Investment Project to be carried out by an ESCO irrespective of value, shall be submitted to the Association for prior approval.

5. Each Investment Project shall comply with the environmental, resettlement and social standards set forth in the Environment Analysis Guidelines and Social Impact Assessment Framework. To that end, IREDA shall require each Investment Enterprise applying for a Subloan to furnish evidence satisfactory to IREDA and the Association, showing that the Investment Project in respect of which the application has been made has been prepared in accordance with such standards, such evidence to include an environmental impact assessment and where applicable, an environmental mitigation

plan, a resettlement and rehabilitation plan and an indigenous peoples development plan for adversely affected and/or displaced populations, for such Investment Project.

6. IREDA shall provide to the Association:

(a) by December 31 of each year, financial statements as well as cash flow estimates showing the estimates for the current year and projections for the next five years, comparing IREDA's projected performance with the parameters set forth in the Policy Statement; and

(b) by March 31 of each year IREDA shall inform the Association of its approved budgetary allocation for the following Fiscal Year.

7. Without any limitation or restriction upon the provisions of Section 9.01 and 9.07 of the General Conditions, IREDA shall furnish or cause to be furnished to the Association, within forty-five days of the end of each quarter, a report, in form and substance satisfactory to the Association, on the progress of the Project and each Investment Project during such quarter.

8. IREDA shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association and the Borrower, by October 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the participation of the Borrower and the Association, by December 31, 2002, or such later date as the Association shall agree, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 3

Procedures for, and Terms and Conditions of Subloans

1. Except as the Association may otherwise agree:

(a) the terms and conditions of each Subloan shall be as set out in the Policy Statement; and

(b) only an Investment Enterprise that has not carried out any schemes in the hydro sector either by itself or through its subsidiaries shall be eligible for receiving Subloans to be financed out of the proceeds of the Credit for carrying out Investment Projects under Part A.1 of the Project.

2. No expenditures for goods, works or services required for an Investment Project shall be eligible for financing out of the proceeds of the Credit unless:

(a) the Subloan for such Investment Project shall have been approved by the Association, and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the application and information required under paragraph 3 (a) of this Schedule in respect of such Subloan; or

(b) the Subloan for such Investment Project shall have been a free-limit Subloan for which the Association has authorized withdrawals from the Credit Account and such expenditures shall have been made not earlier than ninety days prior to the

date on which the Association shall have received the request and information required under paragraph 3 (b) of this Schedule in respect of such free-limit Subloan. For the purposes of this Agreement, a free-limit Subloan shall be a Subloan in an amount to be financed out of the proceeds of the Credit which shall not exceed the sum of \$5,000,000 equivalent except for the first two Subloans for Investment Projects under Part B of the Project (other than those carried out by ESCOs) and the first Subloan for an Investment Project to be carried out by an ESCO irrespective of value.

3. (a) When presenting a Subloan (other than a free-limit Subloan) to the Association for approval, IREDA shall furnish to the Association an application, in a satisfactory form, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Subloan; (ii) the proposed terms and conditions of the Subloan, including the schedule of amortization of the Subloan; (iii) evidence of compliance with the Policy Statement, the Environment Analysis Guidelines and Social Impact Assessment Framework set out in paragraph 5 of Schedule 2 to this Agreement; and (iv) such other information as the Association shall reasonably request.

(b) Each request by IREDA for authorization to make withdrawals from the Credit Account in respect of a free-limit Subloan shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Subloan; (ii) the terms and conditions of the Subloan, including the schedule of amortization therefor; (iii) evidence of compliance with the Policy Statement, the Environment Analysis Guidelines and the Social Impact Assessment Framework set out in paragraph 5 of Schedule 2 to this Agreement; and (iv) such other information as the Association shall reasonably request.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Association on or before March 31, 2004 for Part A.1 of the Project and March 31, 2005 for Part B of the Project.

4. Subloans shall be made on terms whereby IREDA shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Association and IREDA, including, in the case of any Subloan, the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) without limitation to the generality of the provisions of the preceding paragraph (a), require the Investment Enterprise to carry out and operate the Investment Project with due regard to applicable ecological, environmental and pollution control standards and in accordance with the provisions of the environmental mitigation plan, resettlement plan and indigenous peoples development plan referred to in paragraph 5 of Schedule 2 to this Agreement;

(c) require that: (i) the goods, works and services to be financed out of the proceeds of the Subloan shall be procured in accordance with the provisions of Schedule 1 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Investment Project;

(d) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(e) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Subloan to the place of use or installation;

(f) obtain all such information as the Association and IREDA shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(g) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Subloan upon failure by such Investment Enterprise to perform its obligations under its contract with IREDA.

