
CONFORMED COPY

LOAN NUMBER 4684-IN

Loan Agreement

(Uttar Pradesh State Roads Project)

between

INDIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 19, 2003

LOAN NUMBER 4684-IN

LOAN AGREEMENT

AGREEMENT, dated February 19, 2003, 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 by the State of Uttar Pradesh (Uttar Pradesh) with the Borrower's assistance and as part of such assistance, the Borrower shall make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Uttar Pradesh, as set forth in this Agreement; 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 and in the agreement of even date herewith between the Bank and Uttar Pradesh (the 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 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) "District-Level Grievance Redress Committee" means a District-Level Grievance Redress Committee established, or to be established, and thereafter, maintained for each district of Uttar Pradesh in which the Project is to be carried out for addressing the grievances of the people arising directly out of, or in connection with, implementing the Resettlement Action Plan in the district;

(b) “Eligible Categories” means categories (1) (a), (1) (b), (2), (3) and (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(d) “Environmental and Social Management Cell” means the Environmental and Social Management Cell established within Public Works Department (as such term is hereinafter defined) for the purposes of assisting with implementation of the obligations of Uttar Pradesh in Schedule 2 to the Project Agreement with respect to the Resettlement Action Plan (as such term is hereinafter defined), the Environmental Management Plans (as such term is hereinafter defined) and the Environmental and Social Management Plan (as such term is hereinafter defined);

(e) “Environmental Management Plans” means Uttar Pradesh’s Environmental Management Plans dated January 2002, approved by the Bank, including any amendments to such plans as may be agreed between the Bank and Uttar Pradesh, for implementation of Part A.1 of the Project (highway and road improvements) in accordance with certain institutional, mitigating and monitoring measures contained in such plans to offset, reduce to acceptable levels, or eliminate any adverse environmental impacts;

(f) “Environment and Social Management Plan” means Uttar Pradesh’s Environment and Social Management Plan dated January 2002, approved by the Bank, including any amendments to such plan as may be agreed between the Bank and Uttar Pradesh, for the implementation of Part B.1 of the Project (highway and road rehabilitation) in accordance with certain institutional, mitigating and monitoring measures contained in such plan to offset, reduce to acceptable levels, or eliminate any adverse environmental and social impacts;

(g) “Financial Management System” means the financial management system that Uttar Pradesh shall establish and operate pursuant to Section 3.01 of the Project Agreement;

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

(i) “Fiscal Year” or “FY” mean the Borrower and Uttar Pradesh’s fiscal year, beginning on April 1 of a calendar year and ending on March 31 of the following calendar year;

(j) “Governing Board” means the Project Governing Board, comprising senior officials of the state administration and chaired by the Chief Secretary, established by Uttar Pradesh to: (i) monitor project preparation, review tenders and approve award of contracts procured through international competitive bidding procedures; (ii) oversee

implementation of policy issues associated with the Project; and (iii) ensure inter-department and inter-agency coordination;

(k) “Institutional Development Cell” means the cell to be established and maintained within the Public Works Department to assist Uttar Pradesh in carrying out the Institutional Development Plan (as such term is hereinafter defined);

(l) “Institutional Development Plan” means the Institutional Development and Strengthening Plan approved by Uttar Pradesh pursuant to a government order, including any amendments or updates made from time to time by agreement between Uttar Pradesh and the Bank, for improving the institutional capacity of the Public Works Department (as such term is hereinafter defined);

(m) “Project Agreement” means the agreement between the Bank and Uttar Pradesh 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 Implementation Plan” means Uttar Pradesh’s Project Implementation Plan dated April 2002, satisfactory to the Bank, including any updates and amendments made from time to time satisfactory to the Bank, containing, among other things: (i) financial projections or forecasts for the Project; (ii) details regarding procurement, format and content of project financial reports; and (iii) monitoring and performance indicators and procedures to be used for implementation of the Project; this plan shall also include any accompanying schedules or exhibits;

(o) “Project Management Team” means the Project Management Team to be maintained within the Public Works Department, which shall be responsible, among other things, for performing routine Project management tasks, monitoring progress in Project implementation, the disbursement process under the Project, providing technical guidance and general administration, and preparing progress reports;

(p) “Project Steering Committee” means the Project Steering Committee, chaired by the Secretary in charge of the Public Works Department, which Uttar Pradesh has established under a government order and shall maintain for: (i) monitoring and coordinating day-to-day aspects of project implementation; (ii) approving Project contracts other than those contracts procured through international competitive bidding; and (iii) coordinating and overseeing the implementation of the Institutional Development Plan;

(q) “Public Works Department” means the Public Works Department of Uttar Pradesh and any successor thereto;

(r) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.6 of Schedule 1 to this Agreement;

(s) “Resettlement Action Plan” means Uttar Pradesh’s Resettlement Action Plan dated January 2002, approved by the Bank, including any updates and amendments as may be agreed between the Bank and Uttar Pradesh, which sets out, among other things: (i) its principles and objectives; (ii) the eligibility criteria to identify persons and tribal groups affected by the Project; (iii) measures for tribal and other vulnerable groups development; (iv) compensation; (v) assistance and rehabilitation entitlements; (vi) arrangements to mitigate any impact on cultural properties; and (vii) monitoring and reporting arrangements to ensure compliance with its provisions;

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

(u) “Technical Evaluation Committee” means the Project Technical Evaluation Committee established and to be maintained by Uttar Pradesh to evaluate all procurement issues arising from the Project; and

(v) “Uttar Pradesh” means the State of Uttar Pradesh, a state of India, and includes any successor thereto.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed to be a reference to Uttar Pradesh.

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 eighty eight million dollars (\$488,000,000).

Section 2.02. 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.

Section 2.03. The Closing Date shall be December 31, 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, shall cause Uttar Pradesh to perform in accordance with the provisions of the Project Agreement all the obligations of Uttar Pradesh therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Uttar Pradesh 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 make the proceeds of the Loan available to Uttar Pradesh in accordance with the Borrower's standard arrangements for developmental assistance to the states of India.

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 Project Agreement.

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 Uttar Pradesh 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 Loan Account were Report-based Disbursements or were made on the basis of 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 reports referred to in Part A.6 of Schedule 1 to this Agreement, or statements of expenditure, as the case may be, 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.

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) Uttar Pradesh shall have failed to perform any of its obligations under the Project Agreement; and
- (b) as a result of events that have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Uttar Pradesh will be able to perform its obligations under the Project Agreement.

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 Project Agreement has been duly authorized or ratified by Uttar Pradesh, and is legally binding upon Uttar Pradesh in accordance with its terms; and
- (b) all actions set forth in the action plan referred to in Section 3.02 (a) of the Project Agreement for which the completion dates specified therein precede the Effective Date have been completed.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Project Agreement has been duly authorized or ratified by Uttar Pradesh, and is legally binding upon Uttar Pradesh 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.

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 and Company Affairs 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 and Company Affairs
New Delhi, India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-309-3133 91-11-309-2511 91-11-309-2477

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)

1-202-477-6391

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/ Michael F. Carter

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

Part A.

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) Civil Works:		
(a) Civil works for Part A.2 of the Project (resettlement and rehabilitation)	3,200,000	90% of eligible expenditures
(b) Civil works other than for Part A.2 of the Project	442,300,000	80%
(2) Goods	6,220,000	100% of foreign expenditures, (ex-factory cost); and 80% of local expenditures for other items procured locally
(3) Consultants' services	29,630,000	80% of gross expenditure for consulting services
(4) Training and NGO services	1,770,000	100% of eligible expenditures
(5) Fee	4,880,000	Amount due under Section 2.04 of this

Agreement

TOTAL 488,000,000

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 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 or services supplied from the territory of the Borrower.

3. Notwithstanding anything to the contrary in paragraph 1, above, eligible expenditures for NGO services under category (4) shall refer to expenditures incurred by those entities or persons that are not liable to tax under the laws of the Borrower.

4. 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 \$6,000,000, may be made in respect of Categories (1) (a), 1 (b), (2), (3) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after January 31, 2002.

5. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) all contracts for works under Part A of the Project (highway and road improvements) and Part B of the Project (highway and road rehabilitation) costing less than \$4,000,000 each; (ii) goods under contracts costing less than \$200,000 equivalent each; (iii) services of consulting firms under contracts costing less than \$100,000 equivalent each; (iv) services of individual consultants under contracts costing less than \$50,000 equivalent each; and (v) training and NGO services; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

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

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

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

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the 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 it is not satisfied that the reports referred to in Part A.6 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

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

(c) if the Borrower shall have failed to furnish to the Bank 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 Bank 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 Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

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 sub-paragraph (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 the Loan Agreement.

Annex A
to
SCHEDULE 1
Operation of Special Account
When Withdrawals Are Not Report-based Disbursements

For the purposes of this Annex:

1. The term “Authorized Allocation” means an amount of \$20,000,000 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 \$10,000,000 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 \$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 Special Account’s Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts that in the aggregate do not exceed the said 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 said 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 Special Account’s 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
Report-based Disbursements

1. 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. 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 reports referred to in Part A.6 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

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.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist Uttar Pradesh in improving the performance of its core road system.

This objective shall be achieved by, among other things: (i) improving the capacity and quality of the core state highway network and major district roads; (ii) enhancing road maintenance planning and management practices as well as reducing the backlog of deferred periodic maintenance on the core road network; (iii) reducing accidents along highways and easing the movement of traffic at inter-state border crossings; and (iv) strengthening institutional, technical, financial and management capacities of the Public Works Department.

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: State Highway and Road Improvements

1. Increasing the capacity and structural strength of the state core road network through upgrading and widening of about 1000 kilometers of state highways and constructing four bypass roads and three major bridges.
2. Implementation and monitoring of the Resettlement Action Plan.
3. Implementation and monitoring of the Environmental Management Plans.

Part B: State Highway and Road Rehabilitation

1. Carrying out overlaying, resealing and minor rehabilitation work on about 2500 kilometers of State Highways and Major District Roads, including a pilot of alternative contracting methods based on performance.
2. Implementation and monitoring of the Environment and Social Management Plan.

Part C: Institutional Strengthening of the Public Works Department

1. Implementation of the Institutional Plan to strengthen the Public Works Department's overall capacity, including, among other things, developing an effective road maintenance management system in the Public Works Department, enhancing the Public Works Department's accountability to road users, and modernizing road management legislation and policy through technical assistance, training and equipment.

2. Technical assistance to Uttar Pradesh for techno-economic feasibility and detailed engineering studies to assess the state's capacity for future road investment projects.

Part D: Road Safety and Traffic Operations

Support to Uttar Pradesh for improving road safety and traffic operations in the state through the following measures.

1. Technical assistance and support to Uttar Pradesh to identify "black spots" on state roads, which cause accidents, and to design, implement and supervise minor works to enhance road safety and reduce traffic accidents at these "black spots."
2. Installing a computerized accident management system and other road safety related equipment. Training Public Works Department staff and traffic police on road safety issues.
3. Designing and implementing civil works and installing new equipment to upgrade inter-state border crossing facilities.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
September 15, 2008	13,685,000
March 15, 2009	13,840,000
September 15, 2009	14,005,000
March 15, 2010	14,165,000
September 15, 2010	14,330,000
March 15, 2011	14,500,000
September 15, 2011	14,670,000
March 15, 2012	14,840,000
September 15, 2012	15,010,000
March 15, 2013	15,185,000
September 15, 2013	15,365,000
March 15, 2014	15,540,000
September 15, 2014	15,725,000
March 15, 2015	15,905,000
September 15, 2015	16,090,000
March 15, 2016	16,280,000
September 15, 2016	16,470,000
March 15, 2017	16,660,000
September 15, 2017	16,855,000
March 15, 2018	17,050,000
September 15, 2018	17,250,000
March 15, 2019	17,450,000
September 15, 2019	17,655,000
March 15, 2020	17,860,000
September 15, 2020	18,070,000
March 15, 2021	18,280,000
September 15, 2021	18,490,000
March 15, 2022	18,705,000
September 15, 2022	18,925,000
March 15, 2023	19,145,000

* 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.

