

CONFORMED COPY

LOAN NUMBER 4056 IN

Agreement Amending Loan Agreement

**(Uttar Pradesh and Uttaranchal Rural Water Supply
and Environmental Sanitation Project)**

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 30, 2002

**LOAN NUMBER 4056 IN
(Amendment)**

AGREEMENT AMENDING LOAN AGREEMENT

AGREEMENT dated July 30, 2002, between INDIA, acting by its President (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) by the Loan Agreement dated July 22, 1996, as amended to date (the Loan Agreement) between the Borrower and the Bank, the Bank agreed to make available to the Borrower an amount equal to fifty-nine million six hundred thousand United States dollars (\$59,600,000) (the Loan);

(B) by the Project Agreement dated July 22, 1996 (the Project Agreement), between the Bank and the State of Uttar Pradesh (Uttar Pradesh), Uttar Pradesh agreed to undertake certain obligations with respect to the carrying out of the Project;

(C) the Borrower has advised the Bank through Gazette Notice No. 37 dated August 25, 2000, of the enactment of the Uttar Pradesh Reorganization Act, creating the new State of Uttaranchal (Uttaranchal), formerly a part of Uttar Pradesh; and

(D) the Borrower has requested the Bank to amend the Loan Agreement to take into account the creation of Uttaranchal, and its obligation to carry out part of the Project.

NOW THEREFORE the parties hereto hereby agree to amend the Loan Agreement as follows:

PREAMBLE

The Preamble is amended to read as follows:

(i) Paragraph B of the Preamble is amended to read as follows:

“the Project will be carried out in the State of Uttar Pradesh and the State of Uttaranchal with the Borrower’s assistance, and, as part of such assistance, the Borrower will make available to the State of Uttar Pradesh and the State of Uttaranchal, respectively, part of the proceeds of the Loan as provided in this Agreement; and”

(ii) The final paragraph of the Preamble is amended to read as follows:

“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 Project Agreement of even date herewith between the Bank and Uttar Pradesh, and the Uttaranchal Project Agreement between the Bank and Uttaranchal;”

ARTICLE I

General Conditions; Definitions

(i) The following paragraphs of Section 1.02 are amended to read as follows:

“(d) “PMU” means each of the Project Management Units for Uttar Pradesh and Uttaranchal, under the Department of Rural Development of Uttar Pradesh and the Department of Drinking Water of Uttaranchal, respectively, registered as societies under the Societies Registration Act, 1860, and operating in accordance with their respective Memorandums of

Association and Rules, and PMUs means both of them, collectively;

(e) “Rules” means the Memorandum of Association and Rules of each respective PMU, dated November 2, 1994, for Uttar Pradesh and March 5, 2001, for Uttaranchal, as amended from time to time;

(g) “Village” means any local area whether compact or otherwise, recorded as a village in the revenue records of the District concerned, and includes an area which Uttar Pradesh or Uttaranchal may, by a general or special order, declare to be a village;

(h) “Project Villages” means about 350 villages in the districts of Banda, Lalitpur, Jhansi, Hamirpur, Chitrakoot, Jalaun, and Mahoba in Uttar Pradesh, and about 650 villages in the districts of Almora, Bageshwar, Chamoli, Dehradun, Pithoragarh, Nainital, Udham Singh Nagar, Tehri Garhwal, Pauri Garhwal, Uttarkashi, Champawat, and Rudraprayag in Uttaranchal;

(m) “VWSC Order” means the Uttar Pradesh Government Order No. 4430/33-1-95-373195, dated December 15, 1995, establishing VWSC as a Subcommittee of the Village Panchayat, under Section 29 (6) of Uttar Pradesh Panchayat Raj Act, 1947, and endorsed by Uttaranchal;

(w) “Fiscal Year” means the Borrower, Uttar Pradesh and Uttaranchal’s fiscal year, starting April 1, and ending March 31 of each year.”

(ii) The term ‘and’ is deleted after Section 1.02 (v), and the following definitions added at the end of Section 1.02:

“(x) “Agreement Amending the Loan Agreement” means the Agreement Amending the Loan Agreement dated July 30, between the Borrower and the Bank for purposes of including Uttaranchal as a new State participating in the Project;

(y) “Agreement Amending Project Agreement” means the Agreement Amending the Project Agreement dated July 30, between the Bank and Uttar Pradesh;

(z) “Uttaranchal” means the Borrower’s state of Uttaranchal, or any successor thereto; and

(aa) “Uttaranchal Project Agreement” means the agreement between the Bank and Uttaranchal dated July 30, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Uttaranchal Project Agreement.”

ARTICLE III

(i) Article III is deleted and replaced with the following:

“Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause Uttar Pradesh and Uttaranchal to perform in accordance with the provisions of the Project Agreement and the Uttaranchal Project Agreement all the obligations of Uttar Pradesh and Uttaranchal therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Uttar Pradesh and Uttaranchal 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 and Uttaranchal 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 consultant 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 and Schedule 1 of the Uttaranchal Project Agreement, respectively.

Section 3.03. The Borrower and the Bank 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 and Uttaranchal pursuant to Section 2.03 of the Project Agreement and Section 2.03 of the Uttaranchal Project Agreement, respectively.”

ARTICLE V

Remedies of the Bank

- (i) Section 5.01 is amended to include the following additional provisions, as follows:
- “(c) Uttaranchal shall have failed to perform any of its obligations under the Uttaranchal Project Agreement.
- (d) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Uttaranchal will be able to perform its obligations under the Uttaranchal Project Agreement.”
- (ii) Section 5.02 is amended to read as follows:
- “Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that the events specified in paragraphs (a) ,(b), (c) or (d) of Section 5.01 of this Agreement shall occur and continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.”

ARTICLE VI

Effective Date; Termination

- (i) The following provisions are added to Article VI:
- “Section 6.03. The Agreement Amending the Loan Agreement shall not become effective until a legal opinion satisfactory to the Bank showing that the Uttaranchal Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of Uttaranchal, and is legally binding upon Uttaranchal in accordance with its terms, has been received by the Bank.
- Section 6.04. If the Agreement Amending the Loan Agreement shall not have entered into effect within ninety (90) days of the date thereof, all obligations of the parties thereunder shall terminate, unless the Bank after due consideration establishes a later date for purposes of this Section and informs the Borrower of such later date.”

SCHEDULE 1

- (i) The table in paragraph 1 is deleted and replaced with the following table:

“Withdrawal of the Proceeds of the Loan

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 Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works and services for the Schemes under Part B of the Project		
(a) Planning Phase		100%
(i) Uttar Pradesh	3,200,000	
(ii) Uttaranchal	3,100,000	
(b) Implementation Phase		80%
(i) Uttar Pradesh	14,000,000	
(ii) Uttaranchal	23,600,000	
(2) Equipment and materials for Part A of the Project		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(i) Uttar Pradesh	400,000	
(ii) Uttaranchal	100,000	
(3) Consultants' services, studies, training and advertising cost		100%
(i) Uttar Pradesh	3,400,000	
(ii) Uttaranchal	2,300,000	
(4) Incremental operating costs		90% until March 31, 1998; 75% until March 31, 2000; and 50% thereafter
(i) Uttar Pradesh	1,800,000	
(ii) Uttaranchal	500,000	
(5) Unallocated		
(i) Uttar Pradesh	0	
(ii) Uttaranchal	0	

Cancelled as of May 8, 2000 7,200,000

TOTAL 59,600,000”

(ii) A new paragraph 5 is added to read as follows:

“No withdrawals shall be made by Uttaranchal for expenditures incurred prior to November 9, 2000.”

SCHEDULE 2

Schedule 2 is amended to read as follows:

(i) The Project objective is amended by adding the terms ‘and Uttaranchal’ after Uttar Pradesh.

(ii) The letter ‘s’ is added after all references to the term ‘PMU’.

(iii) Part C(b) is amended to read as follows:

“a development plan for Regional Schemes in Uttar Pradesh;”

(iv) The terms ‘in Uttar Pradesh’ are deleted from Part C(e), to read as follows:

“preparation of a follow-up water supply project;”

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending the Loan 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 Kishor

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Edwin R. Lim

Country Director, India

