

CONFORMED COPY

LOAN NUMBER 3857 IN

Modernization and Institutional Development Guarantee Agreement

(Financial Sector Development Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 24, 1995

LOAN NUMBER 3857 IN

GUARANTEE AGREEMENT

AGREEMENT, dated March 24, 1995, between India (acting by its President) (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Modernization and Institutional Development Loan Agreement as hereinafter defined, have requested the Bank to assist in the financing of Part B of the Project;

(B) by a Modernization and Institutional Development Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to one hundred and fifty million dollars (\$150,000,000) (the Modernization and Institutional Development Loan), on the terms and conditions set forth in the Modernization and Institutional Development Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement;

(C) the Guarantor has requested the Bank to provide assistance towards the financing of Part A of the Project and by an agreement of even date herewith between the Guarantor and the Bank (Capital Restructuring Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to three hundred and fifty million dollars (\$350,000,000) (the Capital Restructuring Loan);

(D) the Borrower has requested the Bank to provide assistance towards the financing of Part C of the Project and by an agreement of even date herewith between the Borrower and the Bank (Backstop Facility Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to two hundred

million dollars (\$200,000,000) (the Backstop Facility Loan);

(E) by a Guarantee Agreement of even date herewith (the Backstop Facility Guarantee Agreement) the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Backstop Facility Loan as provided in said Backstop Facility Guarantee 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 or referred to in this Agreement, the Capital Restructuring Loan Agreement, the Modernization and Institutional Development Loan Agreement, the Backstop Facility Loan Agreement, the Backstop Facility Guarantee Agreement and the Project Agreement respectively;

WHEREAS the Guarantor, in consideration of the Bank's entering into the Modernization and Institutional Development Loan Agreement with the Borrower, has agreed to guarantee such obligations of the Borrower;

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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement".

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement and in the Preamble to and Section 1.02 of the Modernization and Institutional Development Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Modernization and Institutional Development Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Modernization and Institutional Development Loan, and the premium, if any, on the prepayment of the said Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Modernization and Institutional Development Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Representatives of the Guarantor; Addresses

Section 3.01. 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 3.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

INDIA

By /s/ N. Valluri

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ H. Vergin

Acting Regional Vice President
South Asia

