

CONFORMED COPY

CREDIT NUMBER 2449 IN

Project Agreement

(Renewable Resources Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED

Dated March 5, 1993

CREDIT NUMBER 2449 IN

PROJECT AGREEMENT

AGREEMENT, dated March 5, 1993, 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 eighty one million six hundred thousand Special Drawing Rights (SDR 81,600,000), 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) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) acting as a Trustee of the Global Environment Trust Fund (the Trustee) to provide additional financial assistance towards the financing of the Project and the Trustee in agreeing to provide such assistance in an

aggregate principal amount equivalent to eighteen million six hundred thousand Special Drawing Rights (SDR 18,600,000) (the GET 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 and the following additional terms have the following meanings:

(a) "Sub-loan" means a loan made or proposed to be made by IREDA from the proceeds of the Credit or the GET Grant for a small hydro scheme, SPV or a windfarm scheme, under Part B of the Project;

(b) "Investment Enterprise" means an enterprise which intends to carry out a scheme under Part B of the Project and to which IREDA proposes to make a Sub-loan; and

(c) "Investment Project" means a specific scheme to be carried out under Part B of the Project by an Investment Enterprise utilizing the proceeds of a Sub-loan.

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 or cause to be carried out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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 Part B of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement; and (ii) make the Sub-loans 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 required for Part 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

Management and Operations of IREDA

Section 3.01. IREDA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. IREDA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) IREDA shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) IREDA shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each financial year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, (A) certified copies of its 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
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

(c) Notwithstanding the foregoing provisions of this Section 4.01, IREDA shall furnish to the Association unaudited records, accounts and financial statements not later than six months after the end of each financial year.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (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 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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:

INDEVAS
Washington, D.C.

Telex:

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

For IREDA:

Indian Renewable Energy Development
Agency Limited
3 Ring Road
New Delhi 110014, India

Cable address:

ALTERNATE-ND-14
New Delhi

Telex:

85061

Section 6.02. 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 6.03. 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood
Regional Vice President
South Asia

INDIAN RENEWABLE ENERGY DEVELOPMENT
AGENCY LIMITED

By /s/ N. Valluri
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items or groups of items for private enterprises estimated to cost the equivalent of \$3,000,000 or less per contract, may be procured under contracts awarded on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers from at least two different countries eligible under the Guidelines in accordance with procedures acceptable to the Association.

2. Items or groups of items for public sector enterprises estimated to cost the equivalent of \$200,000 or less per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Specialized equipment (office equipment, computer hardware and software, and instruments for monitoring and testing), up to an aggregate amount equivalent to \$2,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$1,000,000 or more for the private enterprises and \$200,000 or more for the public sector enterprises, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist IREDA in carrying out Part B of the Project, IREDA shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 2

Implementation Program

1. IREDA shall implement an organizational structure and increase its staff, in accordance with a timetable agreed upon between the Association and IREDA.

2. All the schemes to be financed shall be selected in accordance with criteria agreed upon between the Association and IREDA.

3. Each scheme estimated to cost the equivalent of \$5,000,000 or more shall be subject to prior approval by the Association, provided, however, that the first two schemes each of Small Hydro, Windfarm and the Solar PV shall be subject to prior approval by the Association irrespective of its estimated value.

4. IREDA shall review with the Association:

(a) by July 1, 1993, the interest rate for the loans for Solar PV Schemes, based on the findings of the Solar PV market survey to be carried out by consultants under the Japanese Grant Agreement (Renewable Energy Development Project) dated March 12, 1992 between India and the Bank; and

(b) by May 1, 1995, the interest rate for Small Hydro Schemes and Windfarm Schemes based on the mid-term review of the Project and shall adjust such rate closer to the commercial rates as

appropriate.

5. IREDA shall carry out a mid-term review of the Project and shall furnish the findings of the review to the Association no later than March 31, 1995.

6. IREDA shall furnish to the Association:

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

(b) by March 31 each year, evidence of budgetary allocations for any equity contribution by the Borrower for that year in the amounts needed to ensure maintenance of liquidity level required in respect of IREDA's obligations under this Agreement.

SCHEDULE 3

Sub-loan Procedures

1. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Credit or the GET Grant unless:

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

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Association/Trustee has authorized withdrawals from the Credit Account/GET Grant Agreement and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association/Trustee shall have received the request and information required under paragraph 3 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan in an amount to be financed out of the proceeds of the Credit/GET Grant which shall not exceed the sum of \$5,000,000 equivalent.

2. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Association/Trustee for approval, IREDA shall furnish to the Association/Trustee 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 Sub-loan; (ii) the proposed terms and conditions of the Sub-loan or Investment, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Association/Trustee shall reasonably request.

(b) Each request by IREDA for authorization to make withdrawals from the Credit Account/GET Grant Agreement in respect of a free-limit Sub-loan 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 Sub-loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Association/Trustee on or before June 30, 1998.

3. Sub-loans 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/Trustee/IREDA, including, in the case of any Sub-

loan, 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;

(c) require that: (i) the goods and services to be financed out of the proceeds of the Sub-loan shall be procured in accordance with the provisions of Schedule 1 to this Agreement; and (ii) such goods 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/Trustee if the Association/Trustee 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 Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(f) obtain all such information as the Association/Trustee/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 Sub-loan upon failure by such Investment Enterprise to perform its obligations under its contract with IREDA.

