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**LOAN NUMBER 7816-IN**

# **Loan Agreement**

**(Andhra Pradesh Municipal Development Project)**

**between**

**INDIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated January 22, 2010**

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## **LOAN AGREEMENT**

AGREEMENT dated January 22, 2010, between INDIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred million Dollars (\$300,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by Andhra Pradesh in accordance with the provisions of Article V of the General Conditions, the Project Agreement and the Operations Manual.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Andhra Pradesh’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Andhra Pradesh perform any of its obligations under the Project Agreement.
  - (b) Any provisions of the Trust Deed or the Contribution Agreement shall have been amended, suspended, or abrogated, repealed or waived so as to affect materially and adversely the operation or financial condition of APUIF, or the ability of Andhra Pradesh or APUIF to carry out the Project, or to perform their respective obligations under the Project Agreement or the Contribution Agreement, as the case may be.
  - (c) Any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of APUIF or for the suspension of its operations.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower’s Representative is any of the following: 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.
- 6.02. The Borrower’s Address is:

Secretary  
Department of Economic Affairs  
Ministry of Finance, Government of India  
North Block  
New Delhi 110001, India

Facsimile:

91-11-23092039

6.03. The Bank's Address is:

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

|                               |                              |                |
|-------------------------------|------------------------------|----------------|
| Cable address:                | Telex:                       | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423(MCI) or<br>64145(MCI) | 1-202-477-6391 |

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ N. Roberto Zaghera  
Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to help improve urban services in Andhra Pradesh and the capacity of ULBs to sustain and expand urban services.

The Project consists of the following parts:

#### **A. State Level Policy and Institutional Development Support**

1. Establishment of the Andhra Pradesh Urban Academy to provide monitoring, analysis, training and knowledge dissemination, related to urban development and management in Andhra Pradesh to urban sector officials through the provision of works, goods, and technical assistance, and incremental operating costs financing; and
2. (a) carrying out of studies on urban finance, town planning procedures, and the implementation of programs of the Mission to Eliminate Poverty in Municipal Areas through the provision of technical assistance; and (b) the establishment of a Geographic Information System Cell to support the monitoring and planning of urban development through the provision of computer hardware and software and technical assistance.

#### **B. Municipal Capacity Enhancement**

1. Enhancing the institutional capacity of ULBs in Andhra Pradesh in the areas of urban finance, management, e-governance, development and planning, procurement, and engineering through the provision of training, study tours, and technical assistance.
2. Carrying out a program on GIS mapping and spatial planning through the provision of technical assistance.

#### **C. Urban Infrastructure Investment**

Financing of sustainable, high-priority urban infrastructure Investment Subprojects by selected ULBs of Andhra Pradesh, through the provision of Investment Subloans, Subgrants, and technical assistance to such ULBs.

#### **D. Project Management Support**

Provision of project design, implementation, monitoring, and audit support to state-level agencies, including DMA, and ULBs through the provision of technical assistance and incremental operating costs.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements and Other Arrangements.**

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to Andhra Pradesh in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.
2. The Borrower shall cause Andhra Pradesh to take all necessary steps to ensure that all Project activities are implemented in accordance with the provisions set forth in the Schedule to the Project Agreement.
3. The Borrower shall protect the interests of the Borrower and the Bank to accomplish the purposes of the Loan.

**B. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

**Section II. Project Monitoring Reporting and Evaluation****A. Project Reports**

The Borrower, together with Andhra Pradesh, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than six (6) weeks after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall, or shall cause Andhra Pradesh to prepare and furnish to the Bank as part of the Project Report not later than six (6) weeks after the end of each calendar quarter,

interim unaudited financial reports for the Project covering the quarter, in form and substance agreed with the Bank.

3. The Borrower shall have the Project's Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Project Financial Statements shall cover the period of one financial year of the Borrower, commencing with the financial year in which the first withdrawal was made under the Project. The audited Project Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

### **Section III. Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of the Schedule to the Project Agreement.

### **Section IV. Withdrawal of Loan Proceeds**

#### **A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.



| <b>Category</b>  | <b>Amount of the Loan Allocated (expressed in USD)</b> | <b>Percentage of Expenditures to be financed</b>   |
|--|--|--|
| (1) Goods, consultants' services, training, and incremental operating costs under Parts A, B, and D of the Project | 37,450,000   | 100%   |
| (2) Civil Works under Part A of the Project  | 2,100,000  | 85%  |
| (3) Subloans and Subgrants financed under Part C of the Project  | 259,700,000  | 85%  |
| (4) Front End Fee  | 750,000  | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions |
| (5) Premia for Interest Rate Caps and Interest rate Collars  | -0-  | Amounts due under Section 2.07(c) of this Agreement  |
| <b>TOTAL AMOUNT</b>  | <b>300,000,000</b>                                     |  |

For purposes of this Section IV, the terms:

- (a) "incremental operating costs" means non-consultant expenditures incurred in connection with the carrying out of the Project, including: salaries of Project staff, office supplies and other recurrent expenditures directly related to the performance of the Project activities, which would not have been incurred absent the Project; and
- (b) "training" means non-consultant expenditures incurred in connection with the provision of training, including training institution fees, logistics, materials, and the reasonable cost of travel and per diem of trainers and trainees.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$45,000,000 equivalent may be made for payments made prior to this date but on or after February 15, 2009, for Eligible Expenditures under Categories (1) and (3).
2. The Closing Date is December 31, 2015.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| <b>Principal Payment Date</b>  | <b>Installment Share<br/>(Expressed as a Percentage)</b> |
|--|--|
| On each May 15 and November 15<br>Beginning November 15, 2016<br>through November 15, 2037 | 2.27%  |
| On May 15, 2038  | 2.39%  |

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**APPENDIX****Section I. Definitions**

1. “Andhra Pradesh” means the Borrower’s State of Andhra Pradesh.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “APUIF” means the Andhra Pradesh Urban Infrastructure Fund, established February 18, 2005, pursuant to Government Order No. 72, (as hereinafter defined) and in accordance with the Indian Trust Act, 1882, for the purposes and objectives set forth in the Andhra Pradesh Urban Infrastructure Fund Trust Indenture, executed February 23, 2005.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “Contribution Agreement” means the agreement to be entered into between Andhra Pradesh and APUIF, providing for the Contribution, as referred to in Section I.A(4) of the Schedule to the Project Agreement.
7. “Contribution” means the amount made available, out of the proceeds of the Loan, by Andhra Pradesh to APUIF under Section I.A(4) of the Schedule to Project Agreement to be utilized, *inter alia*, for making Investment Subloans and Subgrants and “Contributions” means all such Contributions collectively.
8. “DMA” means the Directorate of Municipal Administration, an administrative unit of Andhra Pradesh, or any successor to such unit.
9. “GAAP” means the governance and accountability action plan adopted by Andhra Pradesh on April 21, 2009, which sets out the key actions to be undertaken by Andhra Pradesh to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time with the prior consent of the Bank.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended

through February 12, 2008) with the modifications set forth in Section II of this Appendix.

11. “GIS Monitoring Cell” means the Geographic Information System Monitoring Cell to be established within the Department of Town and Country Planning, an administrative unit of Andhra Pradesh referred to in Section I.A(6)(a)(iv) of the Schedule to the Project Agreement.
12. “GIS” means Geographic Information System.
13. “Government Order No. 72” means Government Order Ms. No. 72, Municipal Administration and Urban Development Department, dated February 18, 2005, issued in the name, of the Governor of Andhra Pradesh, as such Order has been and may be amended from time to time.
14. “Investment Subborrower” means an ULB meeting the Investment Subborrower eligibility criteria set forth in the Operations Manual and to which Andhra Pradesh, through APUIF, has made or proposes to make a Subloan and Subgrant.
15. “Investment Subloan and Subgrant” means an Investment Subloan and Subgrant made or proposed to be made by Andhra Pradesh, through APUIF, out of the proceeds of the Contribution to an Investment Subborrower for the financing of an Investment Subproject under Part C of the Project; and “Investment Subloans and Subgrants” mean all collectively.
16. “Investment Subproject” means an Investment Subproject meeting the eligibility criteria set forth in the Operations Manual and to be carried out by an Investment Subborrower utilizing, *inter alia*, the proceeds of an Investment Subloan and Subgrant.
17. “MAUD” means the Municipal Administration and Urban Development Department, a department established within Andhra Pradesh, or any successor thereto.
18. “Memorandum of Understanding” or “MOU” means the Memorandum of Understanding entered into between DMA and an ULB setting out the reform program to be carried out by such ULB for the purpose of making such ULB eligible for receiving an Investment Subloan and Subgrant.
19. “Mission to Eliminate Poverty in Municipal Areas” means the registered society set up in Andhra Pradesh for the purposes of formulating policies and implementing programs aimed at eliminating poverty.
20. “MSU” means the Municipal Strengthening Unit referred to in Section I.A.1(a) of the Schedule to the Project Agreement.

21. “Operations Manual” means the Operations Manual referred to in Section I.A.5(a) of the Schedule to the Project Agreement, dated October 3, 2009, as said manual may be amended from time to time with the Bank’s prior approval.
22. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
23. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 3, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
24. “Project Agreement” means the agreement between the Bank and Andhra 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.
25. “Project Implementing Entity” means Andhra Pradesh, through MAUD.
26. “SEAMF” means the Social and Environmental Assessment Management Framework approved by the SC and adopted by APUIF on July 7, 2005, and incorporated into the Operations Manual, for purposes of setting forth the environmental and social framework to address the adverse temporary or permanent environmental and social impacts resulting from, or likely to result from, the carrying out of the Project, as such Framework has been and may be updated from time to time in a manner satisfactory to the Bank.
27. “SC” means the Steering Committee established by Andhra Pradesh and referred to in Section I.A.2(b) of the Schedule to the Project Agreement.
28. “Trust Deed” means the Andhra Pradesh Urban Infrastructure Fund Trust Indenture, dated February 23, 2005 and executed by Andhra Pradesh for the establishment of the APUIF.
29. “ULB” means an Urban Local Body constituted under the relevant laws of Andhra Pradesh as a municipal corporation, a municipality or a *nagar panchayat* (Indian urban administrative body comparable to a municipality).

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

The definition of the term "Conversion Date" is modified to read as follows:

"'Conversion Date' means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines."