

CONFORMED COPY

LOAN NUMBER 4706 - IN

Loan Agreement

(Tamil Nadu Road Sector Project)

between

INDIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 28, 2003

LOAN NUMBER 4706 - IN

LOAN AGREEMENT

AGREEMENT, dated August 28, 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 Tamil Nadu (Tamil Nadu) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Tamil Nadu, 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 Tamil Nadu (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) "CEA" means a Consolidated Environmental Assessment, dated March 2003, issued by Tamil Nadu, providing a sector-wide review of environmental issues arising under the Project, including evaluation of generic environmental risks and impacts, analysis of possible alternatives, and identification of potential management and mitigation measures;

(b) “Concession Agreement” means the agreement referred to in paragraph 19 of Schedule 2 to the Project Agreement, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Concession Agreement;

(c) “Core Road Network” means all roads and other related structures classified as state highways or major district roads as notified in the official gazette of Tamil Nadu, as the same may be amended from time to time;

(d) “Eligible Categories” means categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(f) “EMP/RU” means an environmental management plan issued pursuant to the CEA, describing a program of environmental actions, measures and policies governing any one or more contract packages for road upgradation or construction, or bypass construction, under Part A of the Project, and designed to maximize the benefits and manage the potential adverse impacts arising under Part A of the Project;

(g) “ERMP/RM” means the environmental and resettlement management plan, dated March 2003, issued pursuant to the CEA, describing a program of social and environmental actions, measures and policies governing generally all road maintenance and safety works activities under Part B of the Project, and designed to maximize the benefits accruing under the Project, avoid or mitigate any adverse impacts arising thereunder and, in the case of PAPs, if such adverse impacts cannot be avoided altogether, provide such PAPs with alternative opportunities to enhance or restore their livelihoods;

(h) “EMP/RS” means the environmental management plan, dated March 2003, issued pursuant to the CEA, describing a program of environmental actions, measures and policies governing the establishment of resettlement sites for the benefit of PAPs, and designed to maximize the benefits and manage the potential adverse impacts arising under the Project;

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

(j) “Fiscal Year” or “FY” means the Borrower’s and Tamil Nadu’s fiscal year, beginning on April 1 of any calendar year and ending on March 31 of the following calendar year;

(k) “HD” means the Highways Department of Tamil Nadu, or any successor thereto;

(l) “Institutional Strengthening Action Plan” or “ISAP” means the Institutional Strengthening Action Plan, as defined in Tamil Nadu’s Government Order No. 86, dated May 2, 2003, giving details of a time-bound action plan designed to strengthen the policies, strategies, processes and human resource management of HD;

(m) “Mid-Term Review” or “MTR” means the mid-term review referred to in paragraph (17) (c) of Schedule 2 to the Project Agreement;

(n) “NGO” means non-governmental organization;

(o) “Project Affected Person” or “PAP” means any person who owns or occupies land, property or other assets or structures which are adversely affected by the Project, or whose livelihood, business, trade or other occupation is adversely affected as a result of the Project, and who is declared accordingly eligible to compensation or other assistance under the R & R Policy;

(p) “Project Agreement” means the agreement between the Bank and Tamil Nadu 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;

(q) “Project Implementation Plan” means the Project Implementation Plan, dated May 2003, giving details of all operational guidelines and procedures as shall have been agreed with the Bank for the implementation, monitoring and supervision of the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Plan;

(r) “Project Management Team” or “PMT” means the Project Management Team referred to in paragraph 2 of Schedule 2 to the Project Agreement;

(s) “R & R” means resettlement and rehabilitation;

(t) “R & R Policy” means the policy document entitled “Tamil Nadu Road Sector Project: Social Impacts and Resettlement - Principles and Policy Framework”, describing the principles and approaches to be followed under the Project to minimize and mitigate social and economic impacts caused thereunder, and endorsed by Tamil Nadu under G.O. Ms. No. 193, dated August 10, 1998;

(u) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(v) “Resettlement Action Plan” or “RAP” means the Resettlement Action Plan, dated March 2003, issued by Tamil Nadu pursuant to the R & R Policy, and describing a program of actions, measures and policies designed to avoid or minimize

any adverse impacts or hardship to PAPs as a result of the Project or, if such adverse impacts or hardship cannot be avoided altogether, provide such PAPs with alternative opportunities to enhance or restore their livelihoods;

(w) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(x) "Subprojects" means the program of construction, upgrading and operation activities referred to under Part A.4 of the Project;

(y) "Tamil Nadu" means the State of Tamil Nadu, a state of India, or any successor thereto.

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 the Loan Agreement, an amount equal to three hundred forty eight million Dollars (\$348,000,000).

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 March 31, 2009, 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 front-end 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 such 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 semiannually 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 Tamil Nadu to perform in accordance with the provisions of the Project Agreement all the obligations of Tamil Nadu 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 Tamil Nadu 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 Tamil Nadu 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 Tamil Nadu 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.5 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) Tamil Nadu 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 Tamil Nadu 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 event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Project Agreement has been duly authorized or ratified by Tamil Nadu, and is legally binding upon Tamil Nadu in accordance with its terms.

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 Tamil Nadu, and is legally binding upon Tamil Nadu 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 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
New Delhi, India

Cable address:

Telex:

Facsimile:

ECOFAIRS
New Delhi

953-31-66175 FINE IN

91-11-2309-2511
91-11-2309-2477
91-11-2309-3133

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)	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/ B.P. Misra
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael Carter
Country Director
India

SCHEDULE 1

Part A: General

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) under Parts A.1 and B of the Project	309,170,000	80%
(b) under Part A.3 (c) of the Project	2,260,000	90%
2. Goods	3,660,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
3. (a) Consultants' services	19,450,000	90%
(b) NGO services and training under Part A.3 (a) of the Project	2,480,000	100%
4. Subprojects	7,500,000	100% of amount paid by Tamil Nadu
5. Fee	3,480,000	Amount due under Section 2.04 of this Agreement
TOTAL	<u><u>348,000,000</u></u>	

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;

(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; and

(c) the term “NGO services and training” means services to be provided under the Project by NGOs, training providers and other educational and research institutions, which are tax exempt under the laws of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) 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) and (3) of the table in paragraph 1 of this Part on account of payments made for expenditures before that date but after July 31, 2002; and

(b) in respect of payments under Category (4) of the table in paragraph 1 of this Part for expenditures under Subprojects:

(i) unless Tamil Nadu has adopted a policy framework, acceptable to the Bank, governing public-private partnership in the construction, upgrading and operation of road infrastructure; and

(ii) otherwise than on the basis of, and in accordance with the terms of, the respective Concession Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$3,000,000 each; (ii) goods under contracts costing less than \$500,000 equivalent each; (iii) consultants’ services under contracts costing less than \$200,000 equivalent each, in the case of consulting firms, and \$50,000 equivalent each, in the case of individual consultants; and (v) training, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. 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 Tamil Nadu 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.5 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.5 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 improve the quality and sustainability of the Core Road Network of Tamil Nadu.

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 objective:

Part A: Road Upgrading and Construction of Bypasses

1. Implementation of civil works for the upgrading and widening of about 750 km of existing Core Road Network, and construction of bypasses.
2. Provision of technical advisory services for the preparation of designs, supervision of civil works and management of the Project.
3. Implementation of a program of R & R and environmental management activities set forth in the RAP, EMP/RU, ERMP/RM and EMP/RS, including:
 - (a) provision of technical advisory services to support implementation of R & R activities, HIV/AIDS awareness activities, and training and monitoring activities;
 - (b) procurement of R & R and EMP-related goods, and
 - (c) implementation of R & R works, and environmental management and mitigation works ancillary to civil works.
4. Preparation and implementation of a program of construction, upgrading and operation of state roads and bridges (Subprojects) through public-private partnership.

Part B: Road Maintenance and Safety Works

1. Implementation of periodic maintenance works covering about 2,000 km of state roads, using conventional contracts and a limited number of pilot performance-based maintenance contracts, including technical review of the implementation of conventional contracts, and the design, supervision and evaluation of performance-based maintenance contracts.
2. Carrying out of civil works for the implementation of engineering and traffic management measures to enhance road safety at selected high priority black spot locations, including minor improvement works and installation of road signs and markings along accident-prone corridors, implementation of environmental management

and mitigation works ancillary to civil works, and technical advisory services for the identification of black spots, design of interventions and evaluation of impacts.

Part C: Institutional Strengthening and Policy Development

Provision of technical advisory services and acquisition of goods as needed to:

- (a) implement the ISAP; (b) advise Tamil Nadu in the area of public-private partnership in infrastructure development; (c) develop and install a road management system, (d) develop and implement a departmental information technology system, including needs analysis; (e) develop a road safety policy and action plan, and strengthen road safety management, including establishment of an accident data recording, analysis and reporting system; (f) strengthen Tamil Nadu's environmental management capacities; (g) conduct road user satisfaction surveys; (h) assist in institutional restructuring, including provision of appropriate training to HD staff; and (i) carry out pre-investment studies for future investments in the road sector.

* * *

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

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)</u>
March 15, 2009	10,165,000
September 15, 2009	10,255,000
March 15, 2010	10,345,000
September 15, 2010	10,440,000
March 15, 2011	10,535,000
September 15, 2011	10,625,000
March 15, 2012	10,720,000
September 15, 2012	10,820,000
March 15, 2013	10,915,000
September 15, 2013	11,010,000
March 15, 2014	11,110,000
September 15, 2014	11,210,000
March 15, 2015	11,310,000
September 15, 2015	11,410,000
March 15, 2016	11,515,000
September 15, 2016	11,615,000
March 15, 2017	11,720,000
September 15, 2017	11,825,000
March 15, 2018	11,930,000
September 15, 2018	12,040,000
March 15, 2019	12,145,000
September 15, 2019	12,255,000
March 15, 2020	12,365,000
September 15, 2020	12,475,000
March 15, 2021	12,585,000
September 15, 2021	12,700,000
March 15, 2022	12,815,000
September 15, 2022	12,930,000
March 15, 2023	13,045,000
September 15, 2023	13,170,000