

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4837-IN

Loan Agreement

(Second Operation under the Orissa Socio-Economic Development Program)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 28, 2006

LOAN NUMBER 4837-IN

LOAN AGREEMENT

AGREEMENT dated August 28, 2006, entered into between INDIA, acting by its President (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement), being carried out by the Borrower’s State of Orissa (“Orissa”). India has also requested the International Development Association (“the Association”), and the Association has agreed, to provide additional assistance in support of the Program under a Financing Agreement (“Financing Agreement”) of same date between India and the Association. The Bank has decided to provide financing under this Agreement on the basis, inter alia, of (a) the actions which Orissa has already taken under the Program as described in Part A of Schedule 2 to the Operations Agreement of same date between the Association, the Bank and Orissa (“Operations Agreement”); (b) the actions which are to be taken by Orissa under the Program as described in Part B of Schedule 2 to the Operations Agreement; and (c) Orissa’s maintenance of an appropriate macro-economic policy framework. The Borrower and the Bank therefore 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 the Loan 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 one hundred fifty million United States Dollars (US\$150,000,000).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Schedule 1 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. 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 said fee.
- 2.05. 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, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of Section 5.08 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III—PROGRAM

- 3.01 The Borrower declares its commitment to the Program and its implementation. To this end:
 - (a) the Borrower shall cause Orissa to carry out the Program in accordance with the provisions of Article V of the General Conditions and the Operations Agreement;
 - (b) the Borrower shall participate with the Bank and Orissa on the exchange of views referred to in Section 2.03 of the Operations Agreement, on the progress achieved in carrying out the Program and the actions specified in Schedule 2 to the Operations Agreement; and
 - (c) without limitation upon the provisions of paragraph (b) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Schedule 2 to the Operations Agreement.

ARTICLE IV—REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following:

A situation has arisen which shall make it improbable that the Program, or significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower and Orissa.

ARTICLE V—EFFECTIVENESS

5.01. The Additional Condition of Effectiveness consists of the following:

All conditions precedent to the effectiveness of the Financing Agreement other than the effectiveness of the Loan Agreement have been fulfilled.

5.02. The Effectiveness Deadline is the date sixty (60) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is 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.

6.02. The Borrower's Address is:

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

91-11-3092477

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
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

INDIA

By

/s/ Madhusudan Prasad
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

/s/ Rachid Benmessaoud
Acting Regional Vice President
South Asia

SCHEDULE 1

Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Schedule and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in two tranches. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in Dollars)
First Tranche	99,625,000
Second Tranche	50,000,000
Front End Fee	375,000
TOTAL AMOUNT	150,000,000

- C. Tranche Release Conditions.** No withdrawal shall be made of the Second Tranche unless the Bank is satisfied, after an exchange of views as described in Section 3.01(b) of this Agreement and Sections 2.03(a) and (b) of the Operations Agreement based on evidence satisfactory to the Bank that the actions described in Part B of Schedule 2 to the Operations Agreement have been taken by Orissa.

If, after this exchange of views, the Bank is not so satisfied, it may give notice to the Borrower and Orissa to that effect and, if within ninety (90) days after the notice, Orissa has not taken steps satisfactory to the Bank, with respect to the actions referred to above, then the Bank may, by notice to the Borrower and Orissa, cancel all or any part of the Unwithdrawn Loan Balance.

- D. Deposit of Loan Proceeds.**
1. The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain in its Central Bank a deposit account in dollars on terms and conditions satisfactory to the Bank.
 2. All withdrawals from the Loan Account shall be deposited by the Bank into the Deposit Account. Upon each deposit of an amount of the Loan into the Deposit

Account, the Borrower shall transfer to Orissa an amount in Rupees equivalent to the amount deposited in the Deposit Account as of the day of such deposit. Such transfer shall be made in accordance with the Borrower's standard arrangements for onlending of external development funds to the States of India.

E. Audit. Upon the Bank's request, the Borrower shall:

1. have the Deposit Account audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
2. furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request; and
3. furnish to the Bank such other information concerning the Deposit Account and its audit as the Bank shall reasonably request.

F. Excluded Expenditures.

1. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.
2. The Borrower shall promptly refund to the Bank any amount refunded to the Borrower by Orissa pursuant to Section 2.04(b) of the Operations Agreement. Amounts so refunded to the Bank shall be cancelled.

G. Closing Date. The Closing Date is June 30, 2008.

SCHEDULE 2

Amortization Schedule

Principal Payment Date	Principal Amount of the Loan Payable (Expressed in Dollars)*
April 15, 2012	3,300,000
October 15, 2012	3,390,000
April 15, 2013	3,480,000
October 15, 2013	3,575,000
April 15, 2014	3,670,000
October 15, 2014	3,770,000
April 15, 2015	3,875,000
October 15, 2015	3,980,000
April 15, 2016	4,090,000
October 15, 2016	4,200,000
April 15, 2017	4,315,000
October 15, 2017	4,430,000
April 15, 2018	4,550,000
October 15, 2018	4,675,000
April 15, 2019	4,805,000
October 15, 2019	4,935,000
April 15, 2020	5,070,000
October, 15, 2020	5,205,000
April 15, 2021	5,345,000
October 15, 2021	5,490,000
April 15, 2022	5,640,000
October 15, 2022	5,795,000
April 15, 2023	5,955,000
October 15, 2023	6,115,000
April 15, 2024	6,280,000
October 15, 2024	6,450,000
April 15, 2025	6,625,000
October 15, 2025	6,810,000
April 15, 2026	6,995,000
October 15, 2026	7,185,000

* The figures in this column represent the amount dollars to be repaid, except as provided in Section 3.10 of the General Conditions.

APPENDIX

Section I. Definitions

1. “Deposit Account” means the Account referred to in Part D.1 of Schedule I to this Agreement.
2. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) under a contract with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower, Orissa or other recipient of the Loan proceeds during the procurement or execution of such contract, without the Borrower, Orissa or other such recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation.
3. “Financing Agreement” means the agreement between the Borrower and the Association in support of the Program, of the same date as the Loan Agreement, as such agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
 4. “First Tranche” means the amount of the Loan allocated to the category entitled “First Tranche” in the table set forth in Part B of Schedule 1 to this Agreement.
 5. “Fiscal Year” means the Fiscal Year of the Borrower and of Orissa beginning on April 1 of a calendar year and ending on March 31 of the following calendar year.
 6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 with the modifications set forth in Section II of this Appendix.
 7. “Orissa” means the state of Orissa of the Borrower, or any successor thereto which is the Program Implementing Entity for purposes of the General Conditions, this Agreement and the Operations Agreement.
 8. “Program” means Orissa’s program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the attachment to the letter dated 1 July, 2006 from the Borrower to the Bank declaring the Borrower’s commitment to the objectives of the Program

and its implementation, and Orissa's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

9. "Program Implementing Entity" means Orissa which is a party to the Operations Agreement.
10. "Rupees" means the lawful currency of the Borrower.
11. "Second Tranche" means the amount of the Loan allocated to the category entitled "Second Tranche" in the table set forth in Part B of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 5.06. *Plans; Documents; Records*

... (c) The Borrower and the Program Implementing Entity shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower and the Program Implementing Entity shall enable the Bank's representatives to examine such records."

6. Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 5.07. Program Monitoring and Evaluation

(c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties, the Program Implementing Entity and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

7. 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:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure” means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program” means the program referred to in the Loan Agreement in support of which the Loan is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”, provided, however, that all references to “Project Agreement” throughout these General Conditions are deemed to be references to “Operations Agreement”.

8. All references to “Program Implementing Entity” throughout these General Conditions as modified above are deemed to be references to “Orissa” as defined in Section I of this Appendix.