

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7577-IN

Loan Agreement

(Orissa State Roads Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 27, 2009

LOAN AGREEMENT

AGREEMENT dated January 27, 2009, between INDIA, acting by its President (“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 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 two hundred fifty million Dollars (\$250,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 June 15 and December 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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 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 the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 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 – EFFECTIVENESS

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

ARTICLE V – REPRESENTATIVE; ADDRESSES

5.01. 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.

5.02. The Borrower's Address is:

Department of Economic Affairs
Ministry of Finance
New Delhi 110 001
India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23093422

5.03. 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/ Dr. Alok Sheel
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 remove transport bottlenecks in targeted transport corridors of the State of Orissa for greater investment and economic and social development activities in the State of Orissa.

The Project consists of the following components:

A. Road Corridor Improvement

Widening, strengthening and selective realignment of about 461 km of existing roads in the State of Orissa to the double-lane standard, to be completed in two phases: (i) Phase I Roads, comprising about 204 km of total roads included in the Project; and (ii) Phase II Roads, comprising the remaining roads included in the Project; and implementation of ancillary social, health, resettlement and environmental measures.

B. PPP Enabling, Sector Policy and Institutional Development and Implementation Support

1. Strengthening the capacity of the Government of the State of Orissa to attract, on Public Private Partnership (PPP) basis, private sector participation in financing and management of selected high-traffic roads.
2. Modernization and institutional strengthening of the OWD, by, inter alia: (a) preparation of a modern road asset management system; (b) development and implementation of a strategy to modernize financial management system and record keeping, and introduction of e-procurement; (c) strengthening the OWD capacity in core business functions, including environment and social management, road safety, road asset management, and PPP transactions; (d) revision and update the PWD codes and manuals to improve contract management and procurement practices in OWD; and (e) training and capacity building of OWD staff.
3. Strengthening the policy, institutional and legal framework of the State of Orissa road sector through, inter alia: (a) improving operation and management structure for managing the Core Road Network; (b) developing sustainable road maintenance financing options; (c) establishment of a State road development council to coordinate the various State road agencies; (d) preparation of a road master plan, including revision/update and implementation of the State road network classification system; (e) development of the road safety policy action plan; and (f) development of axle load control policy and strategy.
4. Implementation and monitoring of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity in accordance with Borrower's standard arrangements for developmental assistance to the States of India.
2. The Borrower shall cause the Project Implementing Entity to take all necessary steps to ensure that all Project activities are implemented in accordance with 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.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Borrower, together with the Project Implementing Entity, 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 such report shall cover the period of each Fiscal Year quarter, and shall be furnished to the Bank not later than forty-five (45) days 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(a) of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall, or shall cause the Project Implementing Entity to, prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year of the Borrower, commencing with the Fiscal Year in which the first withdrawal under

the Project was made. The audited 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 this Section and such additional instructions as the Bank may specify by notice to the Borrower, 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 allocations of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	Percentage of Expenditures to be Financed
(1) Civil works, goods, consultants' services, Training, R&R Assistance, and Incremental Operating Costs	246,375,000	80%
(2) Refund of the Project Preparation Advance	3,000,000	Amount payable pursuant to Section 2.07(a) of the General Conditions
(3) Front End Fee	625,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(c) of the General Conditions

Category	Amount of the Loan Allocated (Expressed in Dollars)	Percentage of Expenditures to be Financed
(4) Premia for Interest Rate Cap and Interest Rate Collar	-0-	Amount payable pursuant to Section 2.07(c) of this Agreement in accordance with Section 4.05(c) of the General Conditions
TOTAL	250,000,000	

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 of \$10,000,000 equivalent may be made for payments prior to this date but on or after July 1, 2008, for Eligible Expenditures under Category (1).
2. The Closing Date is December 31, 2014.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15 Beginning June 15, 2014 through June 15, 2037	2.08%
On December 15, 2037	2.24%

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 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

Definitions

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “Core Road Network” means the State of Orissa state highways and major district roads that have been designated as such by the Government of the State of Orissa, as the same may be amended from time to time.
5. “EMPs” means the corridor specific environmental management plans related to Phase I Roads, adopted by the OWD on August 30, 2007, and corridor specific environmental management plans related to Phase II Roads to be adopted by OWD, satisfactory to the Bank, setting forth the environmental management, mitigation, monitoring and institutional measures to be undertaken by the OWD during the Project, as such plans may be revised from time to time with the prior approval of the Bank.
6. “EMC” means the environmental management cell established within the PMU to manage and coordinate environmental aspects of road management, including project planning and preparation, supervision, monitoring, evaluation, reporting, documentation, training, and overall coordination with other State agencies.
7. “Financial Management Manual” means the financial management manual adopted by the OWD on December 11, 2008, satisfactory to the Bank, setting forth the overall Project financial management arrangements in respect of Project flow of funds, accounting policies and procedures, chart of accounts, financial and accounting procedures, books of accounts, financial reporting, and internal controls, as the same may be revised from time to time with the prior approval of the Bank.
8. “Fiscal Year” means the Borrower’s and Project Implementing Entity’s fiscal year, beginning on April 1 of any calendar year and ending on March 31 of the following calendar year.

9. “GAAP” means the Governance and Accountability Action Plan, adopted by the Government of Orissa on September 26, 2008, setting forth the key actions to be undertaken by the OWD, to strengthen governance, transparency, and accountability under the Project, as such plan may be revised from time to time with the prior approval 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).
11. “HIV/AIDS Action Plans” means the plans included in the RAPs, setting forth the key policy and governmental actions required to address HIV/AIDS issues under the Project, as such plan may be revised from time to time with the prior approval of the Bank.
12. “Incremental Operating Costs” means incremental operating costs incurred by the OWD on account of Project implementation, management and monitoring, including salaries of non-civil service positions and consultancy costs, dissemination of Project related information, office rent and utilities, office and equipment insurance, maintenance and repair, vehicle maintenance and repair, travel, security, communication, bank charges, and other costs directly associated with the Project.
13. “ISAP” means the Institutional Strengthening Action Plan, adopted by Government of Orissa on June 9, 2008, setting forth the key policy and governmental actions required to modernize the OWD, and to improve the planning and financing framework for the road sector, as such plan may be revised from time to time with the prior approval of the Bank.
14. “ISAP Steering Committee” means the committee established by Government of Orissa on December 11, 2008, chaired by the Development Commissioner, and whose members include representatives of the concerned agencies and departments, or any successor or successors thereto.
15. “OWD” means the Works Department of the Government of Orissa, or any successor or successors thereto.
16. “Phase I Roads” and “Phase II Roads” mean the roads referred to under Component A of Schedule 1 to this Agreement.
17. “PMU” means the project management unit established within the OWD to assist in Project implementation, or any successor or successors thereto.

18. “PPP Cell” means the unit within the PMU responsible for management of PPP roads under Component B.1 of the Project, or any successor or successors thereto.
19. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October 2006.
20. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated July 9, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as such plan shall be updated from time to time in accordance with the provisions of said paragraphs.
21. “Project Implementing Entity” means the State of Orissa.
22. “Project Preparation Advance” means the Project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on March 8, 2006, and on behalf of the Borrower on March 30, 2006.
23. “RAPs” means the Resettlement Action Plans for Phase I Roads adopted by the OWD on November 6, 2007, and the Resettlement Action Plans for Phase II Roads to be adopted by the OWD, which include the HIV/AIDS Plans, and are satisfactory to the Bank, and which set forth resettlement, social, land acquisition, and tribal communities rehabilitation and assistance actions to be undertaken by the OWD under the Project, as such plans may be revised from time to time with the prior approval of the Bank.
24. “R&R Assistance” means resettlement and rehabilitation assistance provided by the OWD to eligible recipients in accordance with the terms and conditions set forth in the R&R Framework and the RAPs.
25. “R&R Framework” means the resettlement and rehabilitation policies and procedures adopted by the Government of the State of Orissa on March 1, 2007, addressing adverse temporary or permanent social impacts resulting, or likely to result, from the carrying out of the Project, and based on the Resettlement and Rehabilitation Policy adopted by the Government of Orissa in April 2006, as the same may be revised from time to time with the prior approval of the Bank.
26. “SMC” means the social management cell established within the PMU to manage and coordinate social impact, land acquisition, resettlement, and indigenous (tribal) people issues under the Project.
27. “State Level Empowered Committee” means the committee established by Government of Orissa and chaired by the Development Commissioner of the

Project Implementing Entity, and whose members include the Engineer-in-Chief-cum-Secretary of Works, Secretary Finance, Secretary Forest, Secretary Revenue, Chief Engineer (Roads), and Chief Engineer (World Bank Projects), or any successor or successors thereto.

28. "State of Orissa" means the State of Orissa of the Borrower.
29. "Training" means reasonable and necessary costs of training related to Project implementation, including the fees of educational or other institutions that provide training, costs related to attendance or organization of conferences, seminars and workshops, and the trainees' cost of travel, boarding, lodging and per diem allowances.