Loan Agreement

(Haryana Power System Improvement Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 17, 2009
LOAN AGREEMENT

AGREEMENT dated August 17, 2009, between INDIA (the “Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the “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 thirty million Dollars ($330,000,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement.

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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 August 1 and February 1 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.
207. (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prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan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 Haryana to cause HVPN and DHBVN (pursuant to the Project Agreements) to carry out their Respective Parts of the Project, in accordance with the provisions of Article V of the General Conditions and the respective Project Agreements.

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; TERMINATION
4.01. The Additional Condition of Effectiveness consists of the following: the HVPN Subsidiary Loan Agreement and the DHBVN Subsidiary Loan Agreement have been executed on behalf of Haryana and HVPN, and Haryana and DHBVN, respectively.

4.02. The Additional Legal Matters consist of the following: the HVPN Subsidiary Loan Agreement and the DHBVN Subsidiary Loan Agreement have been duly authorized or ratified by Haryana and HVPN, and Haryana and DHBVN, respectively, and are legally binding upon the parties thereto in accordance with their terms.

4.03. 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 of the following: the 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, India

Facsimile:

91-11-23092477

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

Facsimile:

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 Zagha  
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the availability, efficiency and accountability of electricity supply in Haryana through strengthening the transmission and distribution systems.

The Project consists of the following parts:

Component 1. Transmission System Strengthening (HVPN)

Priority investments in 400 kV, 220 kV, 132 kV and 66kV sub-stations together with transmission lines for system augmentation.

Component 2. Urban Distribution System Strengthening (DHBVN)

Improvement of distribution infrastructure and systems in the towns of Charki Dadri, Faridabad, and Gurgaon, through: (a) conversion of feeder network to High Voltage Distribution System to reduce technical and commercial losses; (b) bifurcation of overloaded 11 kV feeders to better distribute load across feeders and improve quality of supply; (c) segregation of industrial feeders to improve supply quality and accountability; (d) construction of new 33 kV sub-station to respond to increased demand in the town of Dadri; (e) establishment and operation of customer care centers; and (f) provision of Advanced Metering Infrastructure across the utility for all the non-high tension consumers having a connected load of 10 kW and above.

Component 3. Technical Assistance and Capacity Building (HVPN and DHBVN)

Technical assistance to HVPN and DHBVN to: (a) strengthen their institutional capacity, including, but not limited to, corporate governance and financial management, through process improvements, organization changes, human resource development and use of technology; and (b) assist in their implementation, management and monitoring of their Respective Parts under Components 1 and 2 of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation, Institutional and Other Arrangements

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to Haryana in a timely manner, on the same financial terms and conditions as apply to the Borrower under this Agreement, and shall ensure that Haryana make such funds available to HVPN under a subsidiary loan agreement (HNPN Subsidiary Loan Agreement), and to DHBVN under a subsidiary loan agreement (DHBVN Subsidiary Loan Agreement), both on the same financial terms as apply to the Borrower and Haryana, and other terms and conditions satisfactory to the Bank, including the provisions set forth in the Project Agreements.

2. The Borrower shall ensure that the Project is carried out in accordance with the terms of this Agreement, and shall cause Haryana to cause HVPN and DHBVN to take all necessary steps to ensure that all Project activities for which they are responsible pursuant to the terms of the Project Agreements are implemented in accordance with the Schedule to such Project Agreements.

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

4. The Borrower shall protect the interests of the Borrower and the Bank to accomplish the purposes of the Loan.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through Haryana, HVPN and DHBVN, shall monitor and evaluate the progress of the Project and cause Haryana, HVPN and DHBVN to 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 Financial 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 a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. 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) Financial Year, commencing with the Financial 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.

3. The Borrower shall cause Haryana to ensure (pursuant to the Project Agreements), that HVPN and DHBVN prepare and furnish to the Bank not later than forty-five (45) days after the end of each Financial Year quarter, interim unaudited financial reports for their Respective Parts under the Project, covering the quarter, in form and substance satisfactory to the Bank.

Section III. Procurement

A. General

1. Works. All works (supply and installation) required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, works (supply and installation) shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for works. The Procurement Plan shall specify the circumstances under which such methods may be used.
C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, and the additional provisions agreed between the Borrower and the Bank</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Quality-Based Selection</td>
</tr>
<tr>
<td>(d) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(f) Single-Source Selection</td>
</tr>
<tr>
<td>(g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(h) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Eligible Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works (supply and installation) for Component 1 of the Project</td>
<td>250,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Works (supply and installation) for Component 2 of the Project</td>
<td>70,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Consultants’ Services and Training for Component 3 of the Project</td>
<td>9,175,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>825,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>330,000,000</td>
<td></td>
</tr>
</tbody>
</table>
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 $66,000,000 equivalent may be made for payments prior to this date but on or after April 1, 2009 for Eligible Expenditures under Categories (1) through (3).

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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 1 and August 1 Beginning February 1, 2015 through August 1, 2039</td>
<td>2%</td>
</tr>
</tbody>
</table>

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


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “DHBVN” means Dakshin Haryana Bijli Vitran Nigam Limited, a public limited company registered under the Companies Act of 1956 (CIN U99999HR1999PLC034165, March 15, 1999), and wholly owned by the Government of Haryana, or any successor or successors thereto.

5. “DHBVN Operations Manual” means the manual approved by DHBVN in June, 2009, satisfactory to the Bank, which sets out the operational rules and procedures governing HVVPN implementation of Component 2 and its Respective Part of Component 3 of the Project, including institutional, governance and accountability, operational, financial, disbursement, procurement, monitoring, evaluation, reporting, and environmental, social and safeguard provisions, and includes the Financial Management Arrangements, ESPP, EMPs, RAPs, SIPs and DPRs, as such manual may be amended from time to time with the mutual consent of the Bank and DHBVN.

6. “DHBVN Subsidiary Loan Agreement” means the agreement between Haryana and DHBVN, satisfactory to the Bank, which sets out the terms and conditions under which Haryana shall provide the proceeds of Loan to DHBVN, as such agreement may be amended from time to time with the prior consent of the Bank.

7. “DPR” means specific detailed Project report adopted or to be adopted by DHBVN for each scheme under Component 2 of the Project, satisfactory to the Bank, which sets out technical, procurement, financial, environmental and social safeguard information related to the scheme, and includes the EMP and RAP (as necessary), as such plan may be amended from time to time with the mutual consent of the Bank and DHBVN.

8. “EMP” means scheme-specific environmental management plan adopted or to be adopted by the HVVPN and/or DHBVN (as the case may be) pursuant to the provisions of ESPP and the respective Project Agreement, and satisfactory to the
Bank, which sets out scheme-specific environmental management, mitigation, monitoring and reporting measures to be undertaken by the HVPN or DHBVN, as appropriate, during the Project, as such plan may be amended from time to time with the mutual consent of the Bank and HVPN and/or DHBVN (as the case may be), and “EMPs” means two or more of such plans.

9. “ESPP” means the Environmental and Social Policy and Procedures adopted by HVPN and DHBVN on July 29, 2008 and July 11, 2009 (respectively), which sets forth the environmental and social safeguards applicable to the Project, including identification, assessment and mitigation of potential environmental and social impacts arising from carrying out Project activities, measures to protect cultural property, proposed management and mitigation measures and the relevant institutional arrangements, as such document may be revised from time to time with the mutual consent of the Bank and HVPN and/or DHBVN (as the case may be).

10. “Financial Management Arrangements” means the arrangements for Project fund flow, accounting policies and procedures, chart of accounts, books of accounts, financial reporting, and internal controls.

11. “Financial Year” means the Borrower's financial year beginning April 1 and ending March 31 the following year.

12. “GAAP” means the governance and accountability action plan adopted by each HVPN and DHBVN, satisfactory to the Bank, which sets out the key actions to be undertaken by HVPN and DHBVN to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time with the mutual consent of the Bank and HVPN and/or DHBVN (as the case may be).

13. “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.

14. “Haryana” means the State of Haryana of the Borrower, or any successor or successors thereto.

15. “HVPN” means Haryana Vidyut Prasaran Nigam Limited, a public limited company registered under the Companies Act of 1956 (CIN U40101HR1997PLC033863, dated August 14, 1998), and wholly owned by the Government of Haryana, or any successor or successors thereto.

16. “HVPN Operations Manual” means the manual approved by HVPN on April 1, 2009, satisfactory to the Bank, which sets out the operational rules and
procedures governing HVPN implementation of Component 1 and its Respective Part of Component 3 of the Project, including institutional, governance and accountability, operational, financial, disbursement, procurement, monitoring, evaluation, reporting, and environmental, social and safeguard provisions, and includes the Financial Management Arrangements, ESPP, EMPs, RAPs, SIPs, and DPRs, as such manual may be amended from time to time with the mutual consent of the Bank and HVPN.

17. “HVPN Subsidiary Loan Agreement” means the agreement between Haryana and HVPN, satisfactory to the Bank, which sets out the terms and conditions under which Haryana shall provide the proceeds of Loan to HVPN, as such agreement may be amended from time to time with the prior consent of the Bank.


19. “Procurement Plan” means the procurement plan for the Project, satisfactory to the Bank, which consists of the HVPN Procurement Plan adopted or agreed upon by HVPN for its Respective Parts under the Project, dated June 19, 2009, and the DHBVN Procurement Plan adopted or agreed upon by DHBVN for its Respective Parts under the Project, dated June 19, 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.

20. “RAP” means the resettlement action plan adopted or to be adopted by HVPN and DHBVN, satisfactory to the Bank, which set forth resettlement, social, land acquisition, and tribal communities rehabilitation and assistance actions to be undertaken by the HVPN or DHBVN for their Respective Parts under the Project, as such plans may be revised from time to time with the mutual consent of the Bank and HVPN and/or DHBVN (as the case may be), and “RAPs” means two or more of such plans.

21. “SIP” means scheme implementation plan adopted or to be adopted by the HVPN for each scheme under Component 1 of the Project, satisfactory to the Bank, which sets out technical, procurement, financial, environmental and social safeguard information related to the scheme, and includes the EMP and RAP, as such plan may be amended from time to time with the mutual consent of the Bank and HVPN and/or DHBVN (as the case may be).

22. “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, study tours and workshops, and the trainees’ cost of travel, boarding, lodging and per diem allowances.

Section II. Modifications to the General Conditions

Paragraph (l) of Section 7.02 of the General Conditions is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) Ineligibility. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”