

CONFORMED COPY

LOAN NUMBER 4860-IN

Loan Agreement

(Himachal Pradesh State Roads Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 7, 2007

THE WORLD BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

New Delhi Office
70 Lodi Estate
New Delhi - 110 003
India

Telephone: 24617241/24619491
Cable Address: INTBAFRAD
Mailing Address: P. O. Box 416
Facsimile: 24619393

August 24, 2007

Mr. Arun Sharma
Chief Engineer cum Project Director
State Roads Project
Palika Bhawan, Talland
Shimla - 171 002

Dear Mr. Sharma:


India: HP State Roads Project [Ln. no. 4860-IN] - Copy of Legal Agreements

We are pleased to share with you the Conformed Copy of the Loan and Project Agreement for India: Himachal Pradesh State Roads Project. These are for your records and future reference.

Kindly acknowledge receipt of the same.

Thanks and regards,

Yours sincerely,


Ke Fang
TTL - HP State Roads Project

Incl.: as above.

LOAN AGREEMENT

AGREEMENT dated August 7, 2007, 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 twenty million Dollars (\$220,000,000) ("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 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.
- 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 January 15 and July 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 3 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:

ECOFAIRS
New Delhi

Telex:

953-31-66175
FINE IN

Facsimile:

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:

INTBAFRAD
Washington, D.C.

Telex:

248423(MCI) or
64145(MCI)

Facsimile:

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/ Isabel M. Guerrero
Country Director
India

SCHEDULE 1

Project Description

The objective of the Project is to reduce transport costs and to improve traffic flows on priority segments of the Core Road Network of the State of Himachal Pradesh.

The Project consists of the following components:

1. Core Road Network Improvement

Upgrading of roads in the Core Road Network, including widening of formation, realignment, new structures and pavement strengthening of about 450 km of roads, to be completed in two phases: (i) Phase I Roads, comprising about 50 percent of total roads included in the Project for upgrading; and (ii) Phase II Roads, comprising the remaining roads included in the Project for upgrading; and implementation of ancillary social, resettlement and environmental measures, including the agreed arrangements set forth in the Component 1 EMPs.

2. Core Road Network Maintenance and Management

(a) Periodic maintenance and minor rehabilitation of about 2000 km of the Core Road Network, in accordance with the agreed environmental measures set forth in the Component 2 EMP; (b) piloting performance based maintenance contracts; (c) accident black spot improvements; (d) pre-investment studies for road network improvement and maintenance; and (e) capacity enhancement in road maintenance management, including financing, institutional strengthening, road safety, collection, management and dissemination of data.

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 under Component 1 of the Project, goods, consultants' services, Training, and R&R Assistance	207,260,000	90%
(2) Civil works under Component 2 of the Project	11,190,000	20%
(3) Refund of the Project Preparation Advance	1,550,000	Amount payable pursuant to Section 2.07(a) of the General Conditions
TOTAL	220,000,000	

SCHEDULE 3

Amortization Schedule

Principal Payment Date	Principal Amount of the Loan Payable (Expressed in Dollars)*
January 15, 2013	4,715,000
July 15, 2013	4,850,000
January 15, 2014	4,990,000
July 15, 2014	5,135,000
January 15, 2015	5,280,000
July 15, 2015	5,435,000
January 15, 2016	5,590,000
July 15, 2016	5,750,000
January 15, 2017	5,915,000
July 15, 2017	6,090,000
January 15, 2018	6,265,000
July 15, 2018	6,445,000
January 15, 2019	6,630,000
July 15, 2019	6,820,000
January 15, 2020	7,015,000
July 15, 2020	7,220,000
January 15, 2021	7,425,000
July 15, 2021	7,640,000
January 15, 2022	7,860,000
July 15, 2022	8,085,000
January 15, 2023	8,320,000
July 15, 2023	8,560,000
January 15, 2024	8,805,000
July 15, 2024	9,060,000
January 15, 2025	9,320,000
July 15, 2025	9,590,000
January 15, 2026	9,865,000
July 15, 2026	10,150,000
January 15, 2027	10,440,000
July 15, 2027	10,735,000

* The figures in this column represent the amount Dollars to be repaid, except as provided in Section 3.05 of the General Conditions.

APPENDIX

Definitions

1. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. "Component 1 EMPs" means the corridor specific environmental management plans for Component 1 of the Project related to Phase I Roads adopted by the HPRIDC on March 29, 2007, and the environmental management plan related to Phase II Roads to be adopted by the HPRIDC, satisfactory to the Bank, describing the environmental management, mitigation, monitoring and institutional measures to be undertaken by the HPRIDC during the Project, as such plans may be revised from time to time with the prior approval of the Bank.
3. "Component 2 EMP" means the environmental management plan for Component 2 of the Project, adopted by the Government of the State of Himachal Pradesh and the HPRIDC in September, 2006, satisfactory to the Bank, describing the general environmental management, mitigation and monitoring measures to be undertaken for periodic maintenance works by the HPRIDC during the Project, as such plan may be revised from time to time with the prior approval of the Bank.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
5. "Core Road Network" means the State of Himachal Pradesh state highways and major district roads that have been designated as such by the Government of the State of Himachal Pradesh notification, dated July 19, 2005, as the same may be amended from time to time.
6. "Financial Management Manual" means the financial management manual adopted by the HPRIDC on April 2, 2007, 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.
7. "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.
8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005.

9. "HPRIDC" means the Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, a State of Himachal Pradesh Government Company established under the Companies Act of 1956 (Certificate of Incorporation No. 06-22670, 1999).
10. "Operations Manual" means the manual approved by the State of Himachal Pradesh Government and adopted by the HPRIDC, dated April 12, 2007, satisfactory to the Bank, setting out the terms, conditions, and procedures for Project implementation, including the administrative, institutional, environmental, resettlement, land acquisition, and procurement requirements, as such manual may be revised from time to time with the prior approval of the Bank.
11. "Phase I Roads" and "Phase II Roads" mean the roads referred to under Component 1 of Schedule 1 to this Agreement.
12. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.
13. "Procurement Plan" means the Borrower's procurement plan for the Project, dated March 3 and 7, 2007, 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.
14. "Project Implementing Entity" means the State of Himachal Pradesh.
15. "Project Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on February 1, 2006, and on behalf of the Borrower on February 9, 2006.
16. "RAP" means the Resettlement Action Plan for Phase I Roads adopted by the HPRIDC on February 22, 2006, and the Resettlement Action Plan for Phase II Roads to be prepared and adopted by the HPRIDC, as such plans may be revised from time to time with the prior approval of the Bank.
17. "R&R Assistance" means resettlement and rehabilitation assistance provided to eligible recipients in accordance with the terms and conditions set forth in the R&R Policy and the RAP.
18. "R&R Policy" means Resettlement and Rehabilitation Policy, adopted by the State of Himachal Pradesh Government on February 3, 2006, amended on June 3, 2006, and setting forth the policies and procedures addressing adverse temporary or permanent social impacts resulting, or likely to result from, the

carrying out of the Project, as the same may be revised from time to time with the prior approval of the Bank.

19. "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.