Loan Agreement

(Jharkhand Power System Improvement Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INDIA ("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) apply to and form 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 the amount of three hundred and ten million United States dollars, (USD310,000,000), as such amount may be converted from time to time through a Currency Conversion ("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 III of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

(a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower, and
to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank’s financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank’s total financial exposure to the Borrower, as reasonably determined by the Bank.

2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall ensure that the Project Implementing Entity causes JUSNL and JBVNL (the "Implementing Agencies") to carry out their Respective Parts of the Project in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, and the Project Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension is that any of the Implementing Agencies’ Legal Frameworks has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the relevant Implementing Agency to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness is that the Subsidiary Agreements have been executed on behalf of the Project Implementing Entity and the Implementing Agencies and all conditions precedents for their effectiveness have been met.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is any of the following officials, acting severally: 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.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's Address is:

Secretary
Department of Economic Affairs
Ministry of Finance
Government of India
North Block
New Delhi 110 001, India, and

(b) the Borrower's Electronic Address is:

Facsimile:

+91 (11) 23092883

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex: Facsimile:

248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED as of the Signature Date.

INDIA

By

Authorized Representative

Name: SAMEER KUMAR KHARE
Title: ADDITIONAL SECRETARY
Date: NOVEMBER 20, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: JUNADA KAMAL AHMAD
Title: COUNTRY DIRECTOR, INDIA
Date: NOVEMBER 20, 2018
SCHEDULE 1

Project Description

The objective of the Project is to increase the transmission capacity of the electricity network in the State of Jharkhand and strengthening the institutional capacity of the state-owned power transmission and distribution utilities.

The Project consists of the following parts:

Component 1. *Intra-State Transmission System Strengthening*  
1. Expanding and strengthening intra-state transmission system to increase its capacity and reliability through the construction of 132 kV, and 220 kV substations and associated transmission lines, and carrying out emergency restoration measures.
2. Strengthening the State Load Dispatch Center and its operations, by financing, among others, availability-based-tariff meters, software solutions, optical ground wire and communications equipment.

Component 2: *Technical Assistance for Institutional Development and Capacity Building of JUSNL*
1. Improving the organization structure and delegation of financial powers of JUSNL.
2. Strengthening project planning, procurement and contract management practices within JUSNL, through *inter alia*, developing works and procurement policies and procedures (i.e. detailed procedures for procurement and contract management).
3. Strengthening JUSNL’s financial management framework by, *inter alia*, improving the financial management and corporate governance practices, strengthening internal control mechanism, and automating financial systems.
4. Automating JUSNL’s internal business functions (e.g. inventory management, payroll management) by, *inter alia*, deploying IT solutions.
5. Appointing a Project management consultant to assist JUSNL in supervising and monitoring sub-projects under Component 1 of the Project.
6. Strengthening the capacity of JUSNL staff through, *inter alia*, the provision of Training and Workshops, and knowledge exchange visits.
Component 3: Improving operational efficiency and developing institutional capacity of JBVNL

1. Installing smart meters, including back-end system integration, in selected geographical areas and for selected consumers within JBVNL’s service delivery jurisdiction.

2. Upgrading JBVNL’s commercial IT systems and business processes for billing, collection and customer relationship management.

3. (i) Improving JBVNL’s human resource management by standardizing practices and policies and developing business review frameworks; (ii) implementing business process reengineering focused on commercial processes and capital investments; (iii) deploying software tools and developing business processes to optimize power procurement costs; (iv) strengthening JBVNL’s financial management framework and improving corporate governance practices and strengthening internal controls; and (v) strengthening the capacity of JBVNL staff through, inter alia, the provision of Training and Workshops, and study tours.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending Arrangements

1. To facilitate the Project Implementing Entity’s carrying out the Project through the Implementing Agencies, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity in accordance with the Borrower’s standard arrangements for developmental assistance to the States of India.

2. Notwithstanding paragraph 1 above, in the event that any provision of this Agreement, including the instructions that the Bank shall have specified by notice to the Borrower pursuant to Section 2.01(b) of the General Condition (including the Disbursement and Financial Information Letter), were to be found inconsistent with the Borrower’s standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall prevail.

3. The Borrower shall protect its own interests and the interests of the Bank to accomplish the purpose of the Loan.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall cause the Project Implementing Entity to ensure that the Implementing Agencies furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and [(ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:]
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Training and Workshops, and Incremental Operating Costs for Components 1 and 2 of the Project</td>
<td>284,225,000</td>
<td>up to 85%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consulting services Training and Workshops, and Incremental Operating Costs for Component 3 of the Project</td>
<td>25,000,000</td>
<td>up to 70%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>775,000</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>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 4.05 (c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>310,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed fifty million United States Dollars (USD 50,000,000) may be made for payments made prior to this date but on or after December 1, 2017, for Eligible Expenditures under Categories (1) and (2) above; or

   (b) under Category (1) above, until and unless, JUSNL has prepared and adopted the Operations Manual set forth in Section I.E. of the Schedule to the Project Agreement, in a manner and substance acceptable to the Bank.

2. The Closing Date is May 31, 2024.
C. Ineligible Expenditures

The following expenditures shall not be considered Eligible Expenditures for purposes of this Loan, and the Borrower shall ensure, and cause the Project Implementing Entity and the Implementing Agencies to ensure that such expenditures are financed exclusively out of the Project Implementing Entity’s or the Implementing Agencies’ own resources, as the case may be, and not out of the proceeds of the Loan, namely:

(a) all land acquisition required for the purpose of the Project;
(b) any compensation, resettlement and rehabilitation payment to Affected Persons in accordance with the provision of the RAP(s) or CPTD(s) and TPDP.
(c) any compensatory afforestation payments, including as required by the ESMF, or the investment-specific ESMP;
(d) any interest during construction;
(e) any retention money deducted from contract payments, and not released by Closing Date; and
(f) any expenditures objected or considered ineligible by the World Bank internal auditors, or the independent auditors in the Project’s Financial Statements prepared pursuant to Section 5.09 of the General Conditions.
SCHEDULE 3

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").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each December 15 and June 15</td>
<td></td>
</tr>
<tr>
<td>Beginning December 15, 2023</td>
<td>2.5%</td>
</tr>
<tr>
<td>through June 15, 2043</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. "Affected Persons" means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.


4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. "CPTD" means each investment-specific compensatory plan for temporary disturbance (to be) prepared, adopted and publicly disclosed by the JUSNL pursuant to Section I.H.2 of the Schedule to the Project Agreement, in accordance with the provision of the ESMF, setting forth the entitlement matrix for the payment of compensations for temporary disturbance to Affected Persons on account of the erection of towers and right of way for the power transmission lines under the Component I of the Project in a manner and substance satisfactory to the Bank, as such plans may be revised/updated from time to time with the prior written agreement of the Bank.

6. "E&S Cell" means the cell to be established by JUSNL pursuant to Section I.C.1(a) of the Schedule to the Project Agreement.

7. "ESMF" means JUSNL's environmental and social management framework, dated September, 2017, disclosed by the Bank on December 27, 2017, setting forth the guiding policies/principles, acceptable standards and procedures for: (a) screening of Project investment activities and the identification of any adverse or positive social and environmental impacts caused, or expected to be caused, on account of their implementation, including the identification of any Affected Persons arising as a consequence thereof, as well as the appropriate mitigation and/or compensatory measures (entitlements) therefor; (b) ensuring that Tribal Groups and their communities affected by the Project receive culturally appropriate social and economic benefits, and if any potential adverse effects on such communities were identified, the measures to ensure that their effects are avoided, minimized, mitigated, or compensated; and (c) preparing the prescribed ESMF(s), the RAP(s), the CPTD(s) and the TPDP(s), as applicable; as such
framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank.

8. “ESMP” means each investment-specific environmental and social management plan (to be) prepared adopted and publicly disclosed by JUSNL pursuant to Section I.H.2 of Schedule to Project Agreement, pursuant to the provisions of the ESMF, setting out mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) eliminate adverse environmental and social impacts of activities to be implemented under Project; (ii) provide compensation for them, and offset them or reduce them to acceptable levels; (iii) enhance any positive impacts thereof through; and (iv) ensure meaningful participation of stakeholder, in particularly vulnerable groups, as such plan may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank.


10. “Implementing Agencies” means collectively JBVNL and JUSNL.

11. “Implementing Agencies’ Legal Frameworks” means

(a) in respect of JBVNL: the Memorandum and Articles of Association of JBVNL, dated 1st October, 2013, as amended to the date of this Agreement; and

(b) in respect of JUSNL: the Memorandum and Articles of Association of JUSNL, dated of 1st October, 2013, as amended to the date of this Agreement.

12. “Incremental Operating Costs” means the incremental expenses incurred by the Implementing Agencies on account of the management, implementation, monitoring and/or evaluation of their Respective Parts of the Project, including, but no limited to: incremental co-terminus staff salaries, per diem and allowances, office rent, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, and printing and stationary costs incurred for the purposes of Project activities, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Borrower’s and the Project Implementing Entity’s civil service or the Implementing Agencies regular (open ended) staff.

13. “IT” means information technology.


15. “JBVNL PMC” means the Project management consulting firm selected by JBVNL pursuant to contract dated 25th January 2018 between JBVNL and Tata Power Delhi Distribution Ltd. and referred to in Section I.D of the Schedule to the Project Agreement.
16. "JUSNL" means Jharkhand Urja Sancharan Nigam Limited company, a state-owned power transmission utility, registered under the Borrower’s Companies Act (1956) pursuant to Certificate of Incorporation No. U40108/JH2013SGC001603, having its registered offices at JUSNL Building, Kusai Colony, Doranda, Ranchi, Jharkhand, India.

17. "JUSNL PMC" means the Project management consulting firm to be selected and hired by JUSNL pursuant to Section I.C.1.(b) of the Schedule to the Project Agreement.

18. "kV" means kilo-volts.


20. "Operations Manual" means the manual to be prepared and adopted by JUSNL for the implementation of its Respective Parts of the Project, pursuant to Section I.E.1 of the Schedule to the Project Agreement.

21. "PIU" means each of the Project implementation units established within each Implementing Agency in order to carry out its Respective Parts of the Project, and referred to in Section I.B.2(a) of the Schedule to the Project Agreement.


23. "Project Implementing Entity" means the Borrower’s State of Jharkhand.

24. "RAP" means each of the resettlement action plans (to be) prepared, adopted and publicly disclosed by JUSNL pursuant to Section I.H.2 of the Schedule to the Project Agreement, in accordance with the provisions of the respective ESMF, setting forth any compensation, rehabilitation and resettlement assistance to be provide to Affected Persons on account of permanent land taking under Component 1 of the Project in a manner and substance satisfactory to the Bank, as such plans may be revised/updated from time to time with the prior written agreement of the Bank.

25. "Respective Parts of the Project" means:

(a) in respect of JBVNL: Component 3 of the Project; and

(b) in respect of JUSNL: Components 1 and 2 of the Project.

26. "Safeguard Documents" means, collectively, the ESMF and every investment-specific ESMP(s), RAP(s), CPTD(s) and TPDP(s).

27. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

28. "State Load Dispatch Center" means JUSNL’s State Load Dispatch Center established pursuant to Borrower’s Unified Load Dispatch Scheme as well as state of Jharkhand’s State Load Dispatch Center established pursuant to subsection (1) of Section 31 of the
Borrower’s Electricity Act, 2003 and being implemented by Power Grid Corporation Limited of India pursuant to the agreement dated March 17, 2009

29. “State of Jharkhand” or “Jharkhand” means the Borrower’s State of Jharkhand.

30. “Subsidiary Agreement” means, each of the agreements referred to in Section I.A of the Schedule to the Project Agreement pursuant to which the Project Implementing Entity shall make the proceeds of the Loan available to the Implementing Agencies for the carrying out of their Respective Parts of the Project.

31. “TPDP” means each of the tribal people’s development plans (to be) prepared, adopted and publicly disclosed by JUSNL pursuant to Sections I.H.2 of Schedule to the Project Agreement, in accordance with the provisions of the ESMF, setting forth the principles and procedures designed to ensure meaningful consultation with, and informed participation of, Tribal Groups and their communities in the design and implementation of the Component I of the Project, as well as their participation in the envisioned culturally appropriate and socially inclusive benefits thereof, all in a manner and substance satisfactory to the Bank, as such plans may be amended from time to time with the prior written concurrence of the Bank.

32. “Training and Workshops” means the reasonable costs of training, workshops and conferences required by the Implementing Agencies for their Respective Parts of the Project, and conducted in the territory of the Borrower or, subject to the Bank’s prior approval, overseas, including: (i) training, institutional and course fees; (ii) logistics expenses; (iii) rental of training facilities; (iv) purchase and publication of training materials; and (v) travel and subsistence allowance for trainers and/or trainees.

33. “Tribal Groups” means any distinct, vulnerable, social and cultural group within the territory of Jharkhand that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; and (iv) has an indigenous language, often different from the official languages of the Borrower and/or of Jharkhand.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Any reference to the “Project Implementing Entity” throughout the General Conditions shall be construed, for purposes of this Agreement and/or the Project Agreement, as a reference to the “Project Implementing Entity and the Implementing Agencies.”

2. Any reference to the “Project Implementing Entity’s Representative” throughout the General Conditions shall be construed, for purposes of this Agreement and/or the Project Agreement, a reference to each of the “Implementing Agencies’ Representatives.”