Loan Agreement

(Tamil Nadu Sustainable Urban Development Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 03, 2015
LOAN NUMBER 8488-IN

LOAN AGREEMENT

Agreement dated June 3, 2015, 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) 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 in this Agreement, the amount of four hundred million Dollars ($400,000,000) ("Loan"), to assist 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
2.06. The Payment Dates are March 15 and September 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.

2.08. (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: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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 II 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 Parts A and C of the Project to be carried out by Tamil Nadu and Part B of the Project to be carried out by Tamil Nadu together with TNUDF and TNUIFSL in accordance with the provisions of Article V of
the General Conditions and the Tamil Nadu Project Agreement and the TNUDF-TNUIFSL 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 — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following: Any Project Implementing Entity’s Constitutive Document has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of such Project Implementing Entity to perform any of its obligations under the Tamil Nadu Project Agreement or the TNUDF-TNUIFSL Project Agreement, as applicable to such Project Implementing Entity.

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 30 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, 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 of the Recipient’s Ministry of Finance.

6.02. The Borrower’s Address is:

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

Facsimile:

+91-11-23095071
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: INTBAFRAD
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

Authorized Representative

Name: Raj Kumar
Title: Joint Secretary (Ml)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Onno Ruhl
Title: Country Director, India
SCHEDULE 1

Project Description

The objective of the Project is to improve urban services in participating Urban Local Bodies in a financially sustainable manner and to pilot improved urban management practices in selected cities.

The Project consists of the following parts:

Part A. Results-Based Grants for Urban Governance

1. Results-based Grants for Eligible Urban Local Bodies to implement new urban-management models that strengthen governance and financial sustainability.

2. Technical assistance and project management assistance to administer and carry out Results-based Grants.

Part B. Investments in Urban Services

1. Sub Loans to Sub Borrowers and Sub Grants to Sub Recipients to implement Sub Projects.

2. Creating a reserve fund to provide credit enhancements for municipal bonds and other market-based loan instruments issued by Participating Urban Local Bodies and WSPF.

3. Providing technical assistance for:

   (a) Sub Borrowers and Sub Recipients to prepare and implement Sub Projects including environmental and social mitigation actions, urban flood risk mitigation measures, contract supervision, and public-private partnership (PPP) arrangements;

   (b) Participating Urban Local Bodies and WSPF to implement credit enhancement measures; and

   (c) institutional development.

Part C. Urban Sector Technical Assistance

Strengthening Tamil Nadu’s capacity to carry out urban finance and municipal governance reforms.
1. Developing next generation municipal e-governance and geographic information systems for Urban Local Bodies.

2. Institutional development and capacity building, including training, sector studies, operations and maintenance, and strengthening public financial management of Urban Local Bodies.

3. Project management and DMA’s incremental operating costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements


1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to Tamil Nadu in accordance with the Borrower's standard arrangements for developmental assistance to the States of India. Notwithstanding the foregoing, 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 V.A.1 of this Schedule, 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 govern.

2. The Borrower shall cause Tamil Nadu to make available the Loan proceeds to TNUDF in accordance with the Subsidiary Loan Agreement and to Eligible Urban Local Bodies, Participating Urban Local Bodies, Sub Borrowers, and Sub Recipients in accordance with the DMA Operations Manual and the TNUDF-TNUIFSL Operations Manual, as the case may be.

3. The Borrower shall cause Tamil Nadu to ensure that TNUIFSL is staffed and operates with such resources, powers, functions, staffing, and expertise acceptable to the Bank, as required to carry out the Project and shall cause Tamil Nadu to exercise the general oversight of the implementation of Project activities.

4. The Borrower shall cause Tamil Nadu to ensure that TNUDF is adequately capitalized to carry out the Project and that TNUDF observes the restrictions imposed on it under paragraphs 3 and 4 of the Schedule to the TNUDF-TNUIFSL Project Agreement.

5. The Borrower shall cause Tamil Nadu to ensure that DMA appoints a project management unit to carry out Parts A and C of the Project with resources, powers, functions, staffing, and expertise acceptable to the Bank.

6. The Borrower shall cause Tamil Nadu to ensure that each Eligible Urban Local Body, each Participating Urban Local Body, each Sub Borrower and each Sub Recipient constitutes and maintains a Project team with qualified sector, financial management, procurement, environment, social, technical, and monitoring and evaluation professionals to carry out their activities under the Project.
7. The Borrower shall:

(a) cause Tamil Nadu to carry out its activities under the Project in accordance with this Agreement, the Tamil Nadu Project Agreement, the Project Implementation Plan, the TNUDF-TNUIFSL Operations Manual, the DMA Operations Manual, the Procurement Plan, the Environmental and Social Management Framework, any Environmental Management Plan(s) and any Resettlement Action Plan(s);

(b) cause Tamil Nadu to ensure that TNUDF, TNUIFSL, each Eligible Urban Local Body, each Participating Urban Local Body, each Sub Borrower and each Sub Recipient carry out their activities under the Project in accordance with this Agreement, the Tamil Nadu Project Agreement, the TNUDF-TNUIFSL Project Agreement, where applicable, the Project Implementation Plan, the TNUDF-TNUIFSL Operations Manual, the DMA Operations Manual, the Procurement Plan, the Environmental Management and Social Management Framework, any Environmental Management Plan(s) and any Resettlement Action Plan(s);

(c) cause Tamil Nadu to provide each Eligible Urban Local Body, each Participating Urban Local Body, each Sub Borrower and each Sub Recipient with financial and technical assistance necessary for the implementation of Project activities; and

(d) cause Tamil Nadu to protect the interests of the Borrower and the Bank to accomplish the purposes of the Loan.

B. Sub Loans and Sub Grants under Part B.1 of the Project

The Borrower shall, through Tamil Nadu, cause TNUIFSL to make Sub Loans to Sub Borrowers and Sub Grants to Sub Recipients for Sub Projects in accordance with eligibility criteria and procedures acceptable to the Bank and set out in the TNUDF-TNUIFSL Operations Manual and the provisions of the TNUDF-TNUIFSL Project Agreement.

C. Credit Enhancements under Part B.2 of the Project

The Borrower shall cause Tamil Nadu to provide credit enhancements under Part B.2 of the Project in accordance with eligibility criteria and procedures acceptable to the Bank and the provisions of the TNUDF-TNUIFSL Project Agreement and the TNUDF-TNUIFSL Operations Manual.
D. Safeguards

The Borrower shall cause Tamil Nadu to ensure that its activities under the Project and those of TNUDF, TNUIFSL, the Eligible Urban Local Bodies, the Participating Urban Local Bodies, the Sub Borrowers, and the Sub Recipients are carried out in accordance with this Agreement, the TNUDF-TNUIFSL Project Agreement, the DMA Operations Manual, the TNUDF-TNUIFSL Operations Manual, the Procurement Plan, the Environmental and Social Management Framework, including, where applicable, Environmental Management Plan(s) and Resettlement Action Plan(s).

E. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and shall cause Tamil Nadu, TNUDF, and TNUIFSL to prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one (1) calendar semester (six months), and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

2. The Borrower shall cause Tamil Nadu to carry out a comprehensive mid-term Project review under terms of reference satisfactory to the Bank; and furnish to the Bank a mid-term Project progress report, satisfactory to the Bank by no later than September 30, 2018.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain, and shall cause Tamil Nadu, TNUDF, and TNUIFSL to maintain, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall cause Tamil Nadu and TNUIFSL to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall cause Tamil Nadu, TNUDF, and TNUIFSL to have their respective 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. The audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions in the Procurement Plan; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (e) Direct Contracting; (f) Force Account; (g) Procurement from UN Agencies; (h) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (i)
Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Bank; and (j) Community Participation procedures which have been found acceptable to the Bank.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

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. **Withdrawal for Eligible Expenditures**

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 Expenditures to be financed Inclusive of Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eligible Expenditure Programs under Part A.1 of the Project (see annex below).</td>
<td>54,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>2. Credit enhancement facility under Part B.2 of the Project.</td>
<td>18,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>3. Sub Loans and Sub Grants under Part B.1 of the Project and Goods, consulting services, non-consulting services, and Operating Costs under Part B.3 of the Project.</td>
<td>305,000,000</td>
<td>63%</td>
</tr>
<tr>
<td>4. Goods, works, non-consulting services, and consultants' services, and Operating Costs for Parts A.2 and C of the Project.</td>
<td>22,000,000</td>
<td>63%</td>
</tr>
<tr>
<td>5. Front-end Fee</td>
<td>1,000,000</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>6. Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08 (c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>400,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding Part A of this Section, no withdrawal shall be made for payment made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $40,000,000 may be made for payments made
prior to this date but on or after May 1, 2014, for Eligible Expenditures under Categories (2), (3), and (4).

2. Notwithstanding any other provision of this Section, no withdrawal shall be made under Category (1) until and unless the Bank is satisfied, based on evidence satisfactory to the Bank, that the disbursement-linked indicators set forth in the annex below with respect to which such withdrawal has been requested have been achieved and verified in accordance with arrangements set out in the DMA Operations Manual. Such evidence shall include financial reports in the format agreed with the Bank certifying the incurrence of program expenditures relating to the indicators for which payment is required.

3. Notwithstanding any other provision of this Section, if the Bank is not satisfied that one or more of the disbursement-linked indicators set out in the annex below has been achieved by its/their due date set forth in such annex, the Bank may, at any time, by notice to the Borrower, decide to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to the disbursement-linked indicator which, in the opinion of the Bank, corresponds to the extent of achievement of that disbursement-linked indicator; (b) reallocate all or a portion of the proceeds of the Loan then allocated to that disbursement-linked result to any other disbursement-linked indicator; and/or (c) cancel all or a portion of the proceeds of the Loan allocated to Category (1).

4. Notwithstanding the foregoing: (a) the Bank may authorize partial withdrawal of Loan proceeds for Eligible Expenditure Programs under Category (1) when the Borrower shall have furnished evidence satisfactory to the Bank, in accordance with agreed verification arrangements in the DMA Operations Manual, that disbursement-linked indicators set out in the annex below have been partially achieved; and (b) in the event that the value allocated to a disbursement-linked indicator is not fully disbursed by the period indicated against that result in the annex below, the Bank may, at any time by written notice to the Borrower, decide, in its sole discretion, to roll over the undisbursed amount attributable to that value to a subsequent period.

5. Subject to arrangements which the Bank has determined to be acceptable prior to the Closing Date, Tamil Nadu may retain after the Closing Date any amounts withdrawn under Category (2) which remain unutilized for payments on any claims under the credit enhancement facility under Part B.2 of the Project, for purposes consistent with the Project's development objective and in accordance with arrangements satisfactory to the Bank.

6. The Closing Date is March 31, 2022.
### Annex – Disbursements-Linked Results and Disbursement-Linked Indicators (DLI) under Category 1

<table>
<thead>
<tr>
<th>DLI</th>
<th>Amount of the Loan Allocated to DLI (US$)</th>
<th>Year 0 (baseline to be achieved)</th>
<th>Indicative DLI Period for DLI achievement</th>
<th>Year 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Autonomy for Eligible Urban Local Bodies with respect to local capital expenditures</td>
<td>Reflecting its commitments to the model cities program, Tamil Nadu has issued a government order(s) raising the Eligible Urban Local Body’s administrative sanction powers (up to Rs.20,000,000 for Vellore and Erode and Rs. 8,000,000 for Hosur) and technical sanction powers to an appropriate level. Tamil Nadu has issued government orders approving the constitution of a technical expert cell in each Eligible Urban body has adopted a sustainability plan for the technical expert cell’s functions and responsibilities after the Project’s Closing Date.</td>
<td>The Eligible Urban Local Body has selected and appointed a firm or individual consultants for its technical expert cells to augment technical and managerial capacity.</td>
<td>To improve its organization effectiveness, the Eligible Urban Local Body has approved a capacity enhancement plan developed by its technical expert cell and cleared by DMA.</td>
<td>DMA and the Eligible Urban Local Body have taken necessary action to ensure that all staff vacancies in the Urban Local Body are less than 20% of the sanctioned positions for each grade pursuant to government orders issued by Tamil Nadu.</td>
</tr>
</tbody>
</table>
The DMA and the Eligible Urban Local Body have executed a memorandum of agreement with specific commitments and actions to be taken by the Urban Local Body.

<table>
<thead>
<tr>
<th>DLI Value for</th>
<th>6,500,000</th>
<th>1,000,000</th>
<th>1,000,000</th>
<th>1,000,000</th>
<th>1,500,000</th>
<th>1,000,000</th>
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<tbody>
<tr>
<td>Erode</td>
<td>6,500,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,500,000</td>
<td>1,000,000</td>
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<tr>
<td>Vellore</td>
<td>3,250,000</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>750,000</td>
<td>500,000</td>
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<tr>
<td>Hosur</td>
<td>5,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,500,000</td>
<td>1,500,000</td>
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</tbody>
</table>

2. Increased capacity for preparation of local area-specific urban designs in selected areas by the Eligible Urban Local Body.

After consultations with stakeholders, the Eligible Urban Local Body has identified a local area within its jurisdiction for urban design improvements. The Eligible Urban Local Body’s technical expert cell has prepared a multi-year capital investment plan. The Eligible Urban Local Body has prepared and adopted at least one urban design improvement plan for an identified local area within its jurisdiction. The Eligible Urban Local Body has adopted a budget to carry out urban design improvements in the identified local area.
<table>
<thead>
<tr>
<th>DLI Value for</th>
<th>5,000,000</th>
<th>1,000,000</th>
<th>1,000,000</th>
<th>1,500,000</th>
<th>1,500,000</th>
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<tbody>
<tr>
<td>Vellore</td>
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<tr>
<td>DLI Value for</td>
<td>2,500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>750,000</td>
<td>750,000</td>
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<td>Hosur</td>
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<tr>
<td>3. Eligible Urban</td>
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<td>Local Bodies</td>
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<td>increase their</td>
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<td>sources of revenues</td>
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<tr>
<td>The Eligible Urban</td>
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<tr>
<td>Local Body has</td>
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<tr>
<td>prepared a revenue</td>
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<tr>
<td>improvement plan</td>
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<td>and an action plan</td>
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<td>to improve its</td>
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<td>own source revenues</td>
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<tr>
<td>DLI Value for</td>
<td>7,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,500,000</td>
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<tr>
<td>Erode</td>
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<tr>
<td>DLI Value for</td>
<td>7,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,500,000</td>
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<tr>
<td>Vellore</td>
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<tr>
<td>DLI Value for</td>
<td>3,250,000</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>750,000</td>
</tr>
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-16-
Body has prepared an action plan to support these modules' use. FY2016-17 in accordance with the Municipal Accounts Manual.

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<th>DLI Value for</th>
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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>
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<tr>
<td>On each March 15 and September 15</td>
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<td>Beginning September 15, 2022 through March 15, 2047</td>
<td>2.00%</td>
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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

Section I. Definitions


2. "Category" means a category set forth in the tables in Section IV of Schedule 2 to this Agreement.


4. "DMA" means Tamil Nadu's Directorate for Municipal Administration, or any successor thereto.

5. "DMA Operations Manual" means the Operations Manual adopted by Tamil Nadu dated February 20, 2015 that sets forth the operational guidelines and procedures, and implementation and institutional arrangements including verification arrangements for Part A.1 of the Project including any amendments or revisions made with the Bank's prior written agreement.

6. "Eligible Expenditure Program" means the expenditures reimbursable through Results-Based Grants under Part A.1 of the Project including personnel costs; pension and retirement benefits; repairs and maintenance; and operating and administrative costs incurred by the Urban Local Bodies in accordance with eligibility criteria outlined in the DMA Operations Manual.

7. "Eligible Urban Local Body" means an Urban Local Body in Tamil Nadu that satisfies the eligibility criteria in the DMA Operations Manual to receive disbursements based on indicators under Part.A.1 of the Project for Program Expenditures defined in the DMA Operations Manual.

8. "Environmental and Social Management Framework" means the framework adopted by TNUDF through a Government Order No. GO(MS), No. 44, of Municipal Administration and Water Supply (MA2) Department, on March 5, 2015 and disclosed in TNUIFSL's website on March 6, 2015 and in the Bank's Info Shop on March 6, 2015, respectively, and incorporated into the TNUDF-TNUIFSL Operations Manual, which addresses the adverse temporary or permanent environmental and social impacts resulting, or likely to result from, the carrying out of the Project including the credit enhancement facility under Part B.2 and as such a framework may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Bank.

9. "Environmental Management Plan" means an environmental management plan prepared in accordance with the Environmental and Social Management Framework as such plan may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Bank.
10. "Fiscal Year" means the Fiscal Year of the Borrower beginning on April 1 of a calendar year and ending on March 31 of the following calendar year.

11. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

12. "Operating Costs" means the incremental costs incurred by TNUIFSL and Tamil Nadu for carrying out the Project including salaries of contractual staff appointed and staff deputed to the Project, training costs of project, government and local body staff, office rent and utilities, office and equipment maintenance and repair, vehicle operating and maintenance costs, communication and travel, and other incidental and necessary expenditures in connection with the Project.

13. "Participating Urban Local Body" means an Urban Local Body in Tamil Nadu that satisfies the eligibility criteria in the TNUDF-TNUIFSL Operations Manual to participate in activities under Part B of the Project.


15. "Procurement Plan" means the procurement plan for the Project, dated February 19, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "Project Agreements" means, unless the context otherwise requires, the Tamil Nadu Project Agreement and the TNUDF-TNUIFSL Project Agreement.

17. "Project Implementing Entity" means Tamil Nadu or TNUDF or TNUIFSL or all of them.

18. "Project Implementing Entity's Constitutive Document" means with respect to TNUDF, TNUDF's trust deed dated November 29, 2006, and with respect to TNUIFSL, its memorandum and articles of association attached to its certificate of incorporation dated November 7, 1996 and any amendments thereto.

19. "Resettlement Action Plans" means collectively, resettlement action plans prepared and disclosed in accordance with the provisions of the Environmental and Social Management Framework, to mitigate social impacts and setting forth the terms and conditions for providing affected persons with resettlement assistance and compensation, as such plans may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Bank.

20. "Results-Based Grant" means a grant made available to an Eligible Urban Local Body under Part A.1 of the Project to implement new urban-management models that strengthen governance and financial sustainability.
21. “Sub Borrower” means an urban local body, statutory board or authority, public undertaking, or private investor meeting the eligibility criteria set forth in the TNUDF-TNUIFSL Operations Manual and to which a Sub Loan is made under Part B.1 of the Project.

22. “Sub Loan” means a Sub Loan made or proposed to be made out of the Loan proceeds to a Sub Borrower for a Sub Project under Part B.1 of the Project.

23. “Sub Grant” means a Sub Grant made or proposed to be made out of the Loan proceeds to a Sub Recipient for a Sub Project under Part B.1 of the Project.

24. “Sub Project” means a project that satisfies the TNUDF-TNUIFSL Operations Manual’s eligibility criteria and that will be carried out by a Sub Borrower or a Sub Recipient with a Sub Loan or Sub Grant’s proceeds, as the case may be.

25. “Sub Recipient” means an urban local body, statutory board or authority, public undertaking, or private investor meeting the eligibility criteria set forth in the TNUDF-TNUIFSL Operations Manual and to which a Sub Grant is made under Part B.1 of the Project.

26. “Subsidiary Loan Agreement” means the agreement entered into between Tamil Nadu and TNUDF dated September 28, 2005 under which Tamil Nadu makes available a portion of the Loan proceeds to TNUDF for carrying out its Project activities in accordance with terms and conditions satisfactory to the Bank, and includes any amendments, schedules, or annexes thereto.

27. “State” means a state of India.

28. “Tamil Nadu” means the State of Tamil Nadu or any successor(s), which is the Project Implementing Entity for its Respective Part of the Project, as set out in the Tamil Nadu Project Agreement.

29. “Tamil Nadu Project Agreement” means the agreement between the Bank and Tamil Nadu of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Tamil Nadu Project Agreement.

30. “TNUDF” means the Tamil Nadu Urban Development Fund created and established through a trust deed executed by Tamil Nadu dated November 29, 1996, which is the Project Implementing Entity for its Respective Part of the Project, as set out in the TNUDF-TNUIFSL Project Agreement.

31. “TNUDF-TNUIFSL Operations Manual” means the Operations Manual dated February 20, 2015 that sets forth the operational guidelines and procedures, and implementation and institutional arrangements for carrying out the Project including the credit enhancement facility under Part B.2, as well as any amendments or revisions made with the Bank’s prior written agreement.
32. "TNUIFSL" means the Tamil Nadu Urban Infrastructure Financial Services Limited, a company established under the provisions of the Indian Companies Act, 1956 and any successor thereto.

33. "TNUDF-TNUIFSL Project Agreement" means the agreement between the Bank, TNUDF, and TNUIFSL of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the TNUDF-TNUIFSL Project Agreement.

34. "Urban Local Body" means a municipal corporation, municipality and town panchayat in the State of Tamil Nadu.

35. "WSPF" means Water and Sanitation Pooled Fund created and established through a trust deed executed by Tamil Nadu on August 20, 2002 for issue of bonds under a pooled finance framework and any successor entity thereto.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

"Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."