Loan Agreement

(Accelerating India’s COVID-19 Social Protection Response Program Development Policy Loan)

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") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section 1 of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework.

WHEREAS (A) the Borrower requested a financing in the amount of seven hundred and fifty million Dollars to support the Program; and

(B) Further to review of its options, the Borrower requested that part of such financing be provided by the Bank and the balance by International Development Association.

NOW, THEREFORE, the Borrower and the Bank therefore 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 two hundred million Dollars ($200,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

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

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

2.04. 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.

2.05. The Payment Dates are October 15 and April 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. (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.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out:
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

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 one of the following officials: 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: +91-11-23094075
E-mail: secy-dea@nic.in

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

INDIA

By

Authorized Representative

Name: SAMEER KUMAR KHARE
Title: ADDITIONAL SECRETARY
Date: MAY 15, 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: JUNAID KHAN
Title: COUNTRY DIRECTOR, INDIA
Date: MAY 15, 2020
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar 1. Leveraging Pre-existing Social Protection Measures for COVID-19 Relief

1. The Borrower, through its Ministry of Finance, has approved the Pradhan Mantri Garib Kalyan Yojana, an integrated COVID-19 social protection relief cash-transfer package which: (a) increases benefit levels for MGNREG; (b) allocates LPG and gas cylinders for below-poverty line households for three months through UJJWALA; (c) provides additional allowance for elderly, widows and disabled through the NSAP; (d) triggers cash transfers to women bank account holders under the PMJDY; and (e) outlines benefit levels, implementation guidelines, fund-flow mechanism and governance rules for coordination and monitoring across multiple state governments and line ministries for roll-out of the PMGKY package.

2. The Borrower, through its Ministry of Food and Civil Supplies, has approved the provision of free food rations for a three-month period delivered under PMGKY’s public distribution system, outlining benefit levels and implementation guidelines for delivery.

3. The Borrower, through its Ministry of Labour and Employment, has amended the Employees’ Provident Fund Regulations to include pandemic as a reason to allow workers to withdraw from their Provident Fund account a non-refundable advance of 75% of the balance in the account or three months of the wages, whichever is lower.

4. Under its PMGKY, the Borrower has committed to contribute 24% of monthly wages for low-wage workers in small and medium enterprises\(^1\) for a three months period into their Provident Fund account.

Pillar 2. Protecting Workers in Essential Service Supply Chains during COVID-19 Pandemic

5. The Borrower, through its Ministry of Health and Family Welfare, has established a special health insurance scheme for health workers providing essential care/medical services to COVID-19 patients.

Pillar 3. Improving Access and Delivery for Vulnerable Populations

6. The Borrower, through its Ministry of Labour and Employment, has issued advisories to all States’ government on how to use the Building and Other Construction (Workers Welfare Fund) to provide relief materials and cash to registered construction workers.

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\(^1\) Wage-earners below Rs15,000 per month in businesses having less than 100 employees.
7. The Borrower, through its Ministry of Home Affairs, has enabled the States’ government to use finances from the SDRF to provide migrant workers relief materials and in-kind support, with flexibility for States in the modality of delivery.

8. The Borrower, through its Ministry of Finance, has issued guidance largely adopted by public sector banks to waive ATM charges for all cash withdrawals to facilitate access to cash and PMGY payments.

Section II. Availability of Loan Proceeds

A. General. 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.

B. Allocation of Loan Amounts. The Loan (except for amounts required pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Tranche Allocated (expressed in Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>199,500,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>500,000</td>
</tr>
<tr>
<td>(3) Amount due pursuant to Section 4.05 (c) of the General Conditions</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>200,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.

D. Deposit of Loan Amounts.

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Indian Rupees equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is December 1, 2021.
SCHEDULE 2

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 October 15 and April 15:</td>
<td></td>
</tr>
<tr>
<td>Beginning October 15, 2025</td>
<td>3.7%</td>
</tr>
<tr>
<td>through April 15, 2038</td>
<td></td>
</tr>
<tr>
<td>On October 15, 2038</td>
<td>3.8%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “ATM” means automated teller machine.

2. “Building and Other Construction (Workers Welfare Fund)” means the welfare fund established under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.


4. “Employees’ Provident Fund Regulations” means the regulations adopted for the implementation of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952.


6. “Indian Rupee” or “Rs” means the lawful currency of the Borrower.

7. “LPG” means liquefied petroleum gas.


9. “NSAP” means National Social Assistance Program (NSAP), which provides social pensions to below poverty line widows, disabled and elderly.

10. “PMGKAY” means Pradhan Mantri Garib Kalyan Ann Yojana, a scheme which provides 5 kilograms of food grains per month to State issued ration cards holders who are not already covered under the National Food Security Act.

11. “PMGY” means Pradhan Mantri Garib Kalyan Yojana, a relief package worth 23 billion Dollars announced by the Borrower’s Ministry of Finance to provide social assistance and social insurance to all poor and front-line workers to fight against the COVID-19 pandemic.

12. “PMJDY” means Pradhan Mantri Jan Dhan Yojana, a pan-national financial inclusion platform focused on low-income clientele transfers cash assistance to female account holders.

13. “PM-KSN” means Pradhan Mantri-Kisan Samman Nidhi, a quasi-basic income support program operating for poor and vulnerable rural agriculture workers.
14. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 23, 2020 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.

15. “Provident Fund Account” means a mandatory account for all formal sector employees.

16. “RBI” means the Reserve Bank of India, the Borrower’s central bank, established and governed by the Reserve Bank of India Act, 1934, as amended from time to time since its enactment.

17. “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.

18. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

19. “SDRF” means the State Disaster Response Funds, the primary fund available to State governments to respond to notified disasters.

20. “States” means, collectively, all the states and union territories of India.

21. “UJJWALA” means Pradhan Mantri Ujjwala Yojana, which provides gas cylinders and subsidies to below poverty line households identified through socio-economic census.