Financing Agreement

(Additional Financing for Uttarakhand Rural Water Supply and Sanitation Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 30, 2014
FINANCING AGREEMENT

Agreement dated 4-04, 2014, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association 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 or the Appendix to the Original Financing Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifteen million six hundred thousand Special Drawing Rights (SDR 15,600,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV 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 Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Recipient’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.
5.02. The Recipient’s Address is:

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

Facsimile:

+91-11-23094075

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

Authorized Representative

Name: Nilaya Mitash
Title: Joint Secretary (m1)

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Michael Haney
Title: Operations Adviser
SCHEDULE 1

Project Description

The objectives of the Project are to assist Uttarakhand in improving the effectiveness of rural water supply and sanitation services through decentralization and increased role of Panchayati Raj Institutions and local communities in Uttarakhand and restoring services of damaged schemes in the disaster-affected areas.

The Project consists of the Original Project and the following additional part:

Part D. RWSS Disaster Mitigation Activities

1. Continuing Uttarkhand’s information, education, and communications strategy and institutional capacity building activities in its RWSS institutions and Panchayati Raj Institutions, as well as carrying out sector studies for managing and maintaining reconstructed RWSS schemes.

2. Reconstruction and restoration of various damaged single village schemes and multi-village schemes, individual household latrines, soak pits, and drains across Uttarakhand.

3. Support for implementation and monitoring and evaluation arrangements.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

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

2. The Recipient shall protect the interests of the Recipient and the Association to accomplish the purposes of the Financing.

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

4. The Recipient shall ensure that the Project Implementing Entity carries out Part D of the Project in accordance with the provisions of the Operations Manual, the EMF, the Procurement Manual, the Procurement Plan, and Financial Management Manual, and the provisions of the Project Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators as agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than three (3) months after the end of the period covered by such report.

2. By no later than September 15, 2015, the Recipient shall cause the Project Implementing Entity to carry out:

(a) an independent assessment of the achievements of Part D of the Project, under terms of reference satisfactory to the Association; and

(b) a beneficiary assessment of rural water supply and sanitation delivery improvements for schemes completed under Part D of the Project, under terms of reference satisfactory to the Association, and, thereafter, to prepare and furnish to the Association a report satisfactory to the Association.
B. **Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association 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 Association.

3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient and the Project Implementing Entity, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) 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 Part D of the Project and to be financed out of the proceeds of the Financing 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 Part D of the Project and to be financed out of the proceeds of the Financing 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 Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### B. **Particular Methods of Procurement of 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th><strong>Procurement Method</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding subject to the additional provisions agreed to from time to time between the Recipient and the Association and referred to in the Procurement Plan.</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association</td>
</tr>
<tr>
<td>(d) Shopping</td>
</tr>
<tr>
<td>(e) Force Account</td>
</tr>
</tbody>
</table>

C. **Particular Methods of Procurement of Consultants' Services**

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

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

<table>
<thead>
<tr>
<th><strong>Procurement Method</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants' Qualification</td>
</tr>
<tr>
<td>(c) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Single-source procedures for selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association 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 Financing (“Category”), the allocations of the amounts of the Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services consultants’ services, Training for Part D of the Project</td>
<td>12,530,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs for PMU under Part D of the Project</td>
<td>1,870,000</td>
<td>55%</td>
</tr>
<tr>
<td>(3) Operating Costs for UJN and UJS under Part D of the Project</td>
<td>1,200,000</td>
<td>55%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,600,000</td>
<td></td>
</tr>
</tbody>
</table>

9
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 1,560,000 equivalent may be made for payments made prior to this date but on or after December 1, 2013, for Eligible Expenditures.

2. Notwithstanding the provisions of paragraph 1 of this Sub-section IV.B, the Recipient shall ensure at all times that not more than an amount equivalent to twelve point five percent (12.5%) of the Credit applied towards the financing of works under Category 1 shall be applied towards the financing of Operating Costs under Category 3 for UJN and UJS.

3. The Closing Date is December 31, 2015.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit Repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing August 15, 2019 to and including February 15, 2029</td>
<td></td>
</tr>
<tr>
<td>Commencing August 15, 2029 to and including February 15, 2039</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


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


4. "EMF" means the Environmental Management Framework adopted by the Project Implementing Entity on April 3, 2006, and incorporated into the Operations Manual, setting forth the environmental and social framework to address the adverse temporary or permanent environmental and social impacts resulting, or likely to result from, the carrying out of the Project, and setting out the requirements for the preparation of environmental management plans as necessary, as such framework may be amended from time to time in agreement with the Association.

5. "Financial Management Manual" means the manual dated April 2006, satisfactory to the Association, and updated as of January 15, 2015 to include a new Annex for carrying out Part D of the Project, and adopted by the Project Implementing Entity for the purpose of carrying out, monitoring and supervising the financial management aspects of the implementation of the Project, as such manual may be amended from time to time in agreement with the Association.

6. "Fiscal Year" means the fiscal year of the Project Implementing Entity, which commences on April 1 of a calendar year and ends on March 31 of the following calendar year.

7. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

8. "Operating Costs" means the incremental costs for the operation and maintenance of the Project, rental of vehicles, rental of equipment and office premises/space, bank charges, and advertising and media costs, salaries of contractual and temporary staff, but excluding salaries of the Recipient's civil service.
9. "Operations Manual" means the Operations Manual, dated April 2006, updated to include a new Annex for the carrying out of Part D of the Project, and adopted by the Project Implementing Entity, satisfactory to the Association, containing, inter alia, the operating procedures for the carrying out of the Project, implementation and institutional arrangements, funds flow, and Project performance indicators, as such Operations Manual may be revised from time to time with the prior approval of the Association.

10. "Original Financing Agreement" means the Financing Agreement for the Uttarakhand Rural Water Supply and Sanitation Project (Credit No. 4232-IN) between the Recipient and the Association, dated October 16, 2006 as amended through the date of this Agreement and as may be further amended from time to time.

11. "Original Project" means the Project described in the Original Financing Agreement.

12. "Original Project Agreement" means the Project Agreement for the Uttarakhand Rural Water Supply and Sanitation Project (Credit No. 4232-IN) between the Association and Uttarakhand, dated October 16, 2006 as amended through the date of this Agreement and as may be further amended from time to time.

13. "Panchayati Raj Institution" or its acronym "PRI" means Panchayati Raj Institution as defined by the Recipient's constitution and applicable laws.


15. "Procurement Plan" means the Recipient's procurement plan, dated January 13, 2014 for the Project 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 and for carrying out Part D of the Project.

16. "Project Implementing Entity" means the State of Uttarakhand of the Recipient, or any successor thereto.

17. "RWSS" means rural water supply and sanitation.

18. "Uttarakhand" means the Recipient's State of Uttarakhand, or any successor thereto.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).