Loan Agreement

(Strengthening Public Financial Management in Rajasthan 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 twenty one million, seven hundred thousand Dollars (USD 21,700,000) as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the project described in Schedule I 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 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.

2.06. The Payment Dates are May 15 and November 15 in each year.

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

2.08 (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.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Borrower's State of Rajasthan ("Project Implementing Entity") with the assistance of the Implementing Departments in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is any of the following officials, acting severally; the Secretary, Additional Secretary, Joint Secretary, or any Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower.

5.02. 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

(b) the Borrower’s Electronic Address is:

Facsimile: E-mail:
+91-11-2309 2247 jsmi-dea@nic.in

5.03. 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

(b) the Bank’s Electronic Address is:

Facsimile:
1-202-477-6391

AGREED as of the Signature Date.
INDIA

By

Authorized Representative

Name: SAMEER KUMAR KHAIRE
Title: JOINT SECRETARY
Date: MAY 29, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: MISMAT ALI
Title: ACTING COUNTRY DIRECTOR, INDIA
Date: MAY 29, 2018
SCHEDULE 1

Project Description

The objective of the Project is to contribute to improved budget execution, enhanced accountability, and greater efficiency in revenue administration in Rajasthan.

The Project consists of the following parts:

Part 1: Strengthening Public Financial Management Framework

1.1 Strengthening Effectiveness of Rajasthan's Audit Institutions

Activities to be supported to strengthen the audit institutions include: (i) providing a diagnostic or situational analysis of the existing systems, processes and functions; (ii) developing an audit strengthening plan (reform strategy) recommending an appropriate organization structure, risk based audit methodology and skills up-grading plan; (iii) developing/modernizing the audit manual of Rajasthan; (iv) demonstrating risk-based audits through pilots; (v) implementing an audit management system, for the local fund audit department; (vi) conducting training needs analysis and capacity building; and (vii) providing implementation support for the aforesaid activities.

1.2 Strengthening Planning, Management and Monitoring of Capital Expenditures/Projects in Rajasthan

Activities to be supported include: (i) conducting the assessment of the current public investment management policies and procedures in Rajasthan, including identifying gaps in public private partnerships (PPPs) and developing a roadmap for strengthening of public investment management; (ii) recommending IT applications; and (iii) capacity building for strengthened public investment management function, including management of risks.

1.3 Strengthening Decentralized Participative Planning (DPP) in Rajasthan

Activities to be supported to enhance and strengthen participatory planning processes in Rajasthan and specifically in the RDPR and DoF include: (i) preparation of diagnostic and situational analysis; (ii) developing of a state decentralized planning framework; (iii) automating of DPP process; (iv) conducting pilots and capacity building in DPP; and (v) providing implementation support for the aforesaid activities.

1.4 Using Data for Policy Action

Activities to be supported using data analytics for improved welfare outcomes include: (i) identifying indicators and supporting linkages across the various line departments and government agencies; (ii) generating measurable and trackable indices for forecasting
purposes; (iii) developing dashboards to enable easy reporting and formulation of policies regarding data access, usage and privacy within Rajasthan regulations; and (iv) developing capacity of officials in IT, planning and other departments in data analysis.

Part 2: Strengthening Expenditure and Revenue Systems

2.1. Technical Assistance

2.1.1. Capacity Building on Rajasthan Transparency in Public Procurement Act ("RTPP Act") and Rules

Provision of technical assistance to the SPFC for: (i) supporting the implementation of the RTPP Act and related rules by providing advisory support to SPFC and assisting SPFC in developing/updating SBDs, developing debarred bidders list and a framework and rules for the registration of bidders, contract management and specific procurement methods; (ii) capacity building and development in the procurement capacity of the officials in Rajasthan by development of training systems and certifications; and (iii) conducting an impact assessment study of the e-tendering system within Rajasthan.

2.1.2. Strengthening Cash and Debt Management

Provision of technical assistance to the Finance Department for: (i) evaluating debt and cash management practices and procedures; (ii) modernizing debt recording systems; (iii) preparing Medium Term Debt Strategy (MTDS) and Debt Sustainability Analysis (DSA) report; and (iv) strengthening staff capacity of the Finance Department.

2.1.3 Strengthening Commitment Control and Contract Management

Provision of technical assistance for developing and establishing a Commitment Control System (CCS) through: (i) providing a diagnostic and or situational analysis of the existing systems and processes; (ii) developing a policy on commitment control; (iii) preparing detailed procedures; designing and developing an automated solution for CCS; capacity building of the line departments; (iv) piloting a contract management system in the relevant department(s) of Rajasthan as identified in the PIP; and (v) providing implementation support to the line departments for the rollout of the aforesaid activities.

2.1.4 Strengthening Revenue Systems and Capacity Building

Provision of technical assistance for: (i) supporting activities that would increase the operational efficiency of the CTD through conducting of diagnostic study, carrying out capacity building activities, developing training modules, upgrading the IT infrastructure within the CTD, establishing a business intelligence unit, conducting third party systems audit and conducting studies to analyze the performance of non-GST and non-tax revenue; (ii) supporting the conducting of an institutional assessment study of the ED, strengthening
of the IT infrastructure of the ED, capacity building and training of ED officials; and (iii) supporting the business process reengineering study in Transport Department.

2.2 Results Based Financing

2.2.1. Strengthening Rajasthan’s public procurement framework and capacity.
   (i) Strengthening public procurement documents and e-Procurement.
   (ii) Reducing delays by making awards within initial bid validity period.
   (iii) Reducing tender notice advertisement expenditure.

2.2.2. Improving debt management by enhancing transparency and systematizing procedures.

2.2.3. Strengthening Rajasthan’s commitment control system.

2.2.4. Improving efficiency in revenue administration, tax recoveries/arrears and tax audit in the CTD.
   (i) Decline in non/stop filers in the CTD.
   (ii) Value of tax recoveries (reduction in arrears) in the CTD.
   (iii) Improving effectiveness of tax audit in CTD.

2.2.5. Improving Efficiency in Non-tax revenue departments
   (i) Strengthening of Transport Department.
   (ii) Strengthening of Excise Department.

Part 3: Project Management and Capacity Building

Provide: (i) financial support for the Project implementation, coordination, monitoring and evaluation, DLI verification, Incremental Operating Costs; and (ii) need based technical assistance to the line departments involved in the Project implementation and coordination.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to Rajasthan, in accordance with the Borrower’s standard arrangements for development 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 pursuant to Sections 2.01(b) or 2.04 (b) of the General Conditions, 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.

3. The Borrower shall cause Rajasthan to ensure that the activities under the Project, are carried out in accordance with this Agreement, the Project Agreement and the Project Implementation Plan, as needed.

4. The Borrower shall protect the interests of the Bank to accomplish the objectives of the Loan.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall monitor and evaluate the progress of the Project and shall cause the State of Rajasthan to prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of six months, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

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 1 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 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 procedures, subject to the following additional provisions agreed from time to time 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) Procurement from UN Agency; and (h) Procurement under Public Private Partnership Arrangements in accordance with 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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of
Individual Consultants; and (g) 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. For avoidance of doubts, the Bank shall be entitled to conduct, at any time, independent procurement reviews of all the contracts financed under the Loan.

Section IV. 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 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, and consultant services, Training and Operating Costs for Part(s) 1, 2.1, and 3 of the Project</td>
<td>10,695,750</td>
<td>70%</td>
</tr>
<tr>
<td>(2) Eligible Expenditure Program (EEP) under Part 2.2 of the Project</td>
<td>10,950,000</td>
<td>70%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>54,250</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>21,700,000</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 four million Dollars (USD 4,000,000) may be made for payments made prior to this date but on or after May 15, 2017, for the Project; or

   (b) for EEP expenditures under Category (2), unless and until the Borrower has:

      (i) furnished evidence satisfactory to the Bank in accordance with the DLI Verification Protocol set forth in the Project Implementation Plan that the Borrower has achieved the respective DLI Targets set forth in Schedule 4 to this Agreement against which withdrawal is requested; and

      (ii) complied with the instructions referred to in Section IV.A of this Schedule, including furnished to the Bank the applicable interim unaudited financial reports documenting the incurrence of EEP expenditures during the respective Fiscal Year up to the date against which withdrawal is requested.

2. Notwithstanding the provisions of Parts A and B.1 (b) of this Section, the amount of the Loan to be withdrawn upon the verified achievement of any DLI Target shall not exceed the DLI Value of such DLI Target as set forth in Schedule 4 to this Agreement; provided, however, that any such withdrawal shall not exceed the amount of the EEP incurred but not paid by the proceeds of the Loan at the date of submission of such withdrawal application.

3. Notwithstanding the provisions of Part B.1 (b) of this Section, if the Bank shall determine, based on the evidence furnished by the Recipient under Part B.1 of this Section, that any DLI Target has not been fully achieved by its DLI Target Achievement Date and/or the DLI Value of such DLI Target has not been fully withdrawn, the Bank may in its sole discretion, by notice to the Borrower:

   (a) authorize, in the case of Scalable DLI(s) only, the withdrawal of such lesser amount of the respective DLI Value allocated to said DLI Target which, in the opinion of the Bank, corresponds to the extent of achievement of said DLI Target;

   (b) (i) withhold in whole or in part the proceeds of the Loan then allocated to said DLI Target until such DLI Target is satisfactorily met; (ii) and/or (ii)
authorize, at a later date, the full release of the amounts so withheld, if and when the Bank is satisfied that the respective DLI Target been satisfactorily met;

(c) reallocate, in the case of Scalable DLI(s) only, an amount not exceeding thirty percent (30%) of the proceeds of the Loan then allocated to said DLI Target to any other DLI Target(s); and/or

(d) cancel in whole or in part the proceeds of the Loan then allocated to said DLI Target.

4. Unless otherwise agreed by the Bank, in the event that: (i) a reversal of a DLI Target, has occurred in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Project; and (ii) the said DLI Target has already been verified using the DLI Verification Protocol and for which the corresponding disbursements have been made by the Bank, the Borrower shall refund the disbursements already made by the Bank for such DLI Target, promptly upon notice thereof by the Bank.

5. The Closing Date is March 31, 2024.
SCHEDULE 3

Commitment-Linked Amortization Repayment 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.

Level Principal Repayments

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td></td>
</tr>
<tr>
<td>Beginning May 15, 2024</td>
<td>6.25%</td>
</tr>
<tr>
<td>till November 15, 2031</td>
<td></td>
</tr>
</tbody>
</table>

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.
SCHEDULE 4

Disbursement-Linked Indicators (DLIs), Disbursement-Linked Indicator Targets, and Disbursement-Linked Indicator Values Applicable to the Project

<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets (^2) for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Strengthened public procurement framework and capacity (US$2.85 million)</td>
<td>Draft SBDs under preparation</td>
<td>Finance Department has notified and published up to five (5) SBDs for new contracting methods in the Official Gazette.</td>
<td>SPFC has developed a database of debarred firms and made available to state and procuring entities</td>
<td>e-Procurement tender value has increased by 30% over baseline</td>
<td>Formula- US$100,000 for a minimum of 10% increase over baseline; plus</td>
<td>e-Procurement tender value has increased by 40% over baseline</td>
</tr>
</tbody>
</table>

| Strengthened public procurement documents and e-Procurement | No database of debarred firms | e-Procurement tender value in | |

\(^1\) These DLIs are not time-bound. The Fiscal Years in which they are expected to be achieved as per this Schedule are strictly for indicative purposes. These DLIs can accordingly be met up and until the Closing Date, but in all cases subject to meeting the requirements set out in Section IV.B of Schedule 2 to this Agreement.

\(^2\) DLI values will be paid for achievements in fractional percentages.

\(^3\) Supply & Installation, Swiss challenge, PPP documents, Modified Annuity, IT Equipment
### DLI Indicators

<table>
<thead>
<tr>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017 - INR 23,000 crore</td>
<td>Formula- 20% of DLI Value for each SBD notified and published.</td>
<td>US$ 10,000 for every additional percentage increase thereafter up to a maximum of 30%.</td>
<td>US$ 10,000 for every additional percentage increase thereafter up to a maximum of 30%.</td>
<td>US$ 10,000 for every additional percentage increase thereafter up to a maximum of 30%.</td>
<td>US$ 10,000 for every additional percentage increase thereafter up to a maximum of 30%.</td>
</tr>
<tr>
<td>DLI #1.1 Value (in millions)</td>
<td>1.50</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
</tr>
</tbody>
</table>

#### DLI #1.2: Reduced delays by making awards within initial bid validity period ($ 0.75 million)

- 30% of contracts awarded within initial bid validity period
- 60% of contracts awarded within initial bid validity period
- 90% of contracts awarded within initial bid validity period

- Formula: 30% of contracts awarded within initial bid validity period
- Formula: 60% of contracts awarded within initial bid validity period
- Formula: 90% of contracts awarded within initial bid validity period

---

4 Initial Bid Validity Period being the period specified in the bid documents of GoR for which the bids are expected to be valid.

<table>
<thead>
<tr>
<th>DL1 Indicators</th>
<th>Baseline</th>
<th>DL1 Targets (^1) for Year 1 March 31, 2019</th>
<th>DL1 Targets for Year 2 March 31, 2020</th>
<th>DL1 Targets for Year 3 March 31, 2021</th>
<th>DL1 Targets for Year 4 March 31, 2022</th>
<th>DL1 Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>DL1#1.2 Value (in millions)</td>
<td>0.75</td>
<td>0.15</td>
<td>0.20</td>
<td>0.20</td>
<td>0.20</td>
<td></td>
</tr>
<tr>
<td>DL1#1.3: Reduction in tender notice advertisement expenditure (US$0.60 million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in tender notice advertisement expenditure</td>
<td>The expenditure incurred in the Year 2017-18 on the notification inviting tender is 0.41% of the procurement value (US$ 27,000 million) during 2017-18</td>
<td>Develop mechanism and frame appropriate rules for minimizing expenditure on tender notice advertisements</td>
<td>Tender notice advertisement expenditure reduced up to 0.30% of the procurement value for FY 2019-20. Formula- 1/5% of 20,000 for every point zero one percentage (0.01%) decrease below 0.41% up to 0.30%</td>
<td>Tender notice advertisement expenditure reduced up to 0.20% of the procurement value for FY2020-21. Formula- US$ 20,000 for every point zero one percentage (0.01%) decrease below 0.30% up to 0.20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DL1#1.3 Value (in millions)</td>
<td>0.60</td>
<td>0.20</td>
<td>0.20</td>
<td>0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLI #1 Value (in millions)</td>
<td>2.85</td>
<td>0.65</td>
<td>0.70</td>
<td>0.70</td>
<td>0.50</td>
<td>0.30</td>
</tr>
</tbody>
</table>

DL1 #2: Improve debt management - Enhanced transparency and systemize procedures (US$1 million)
<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve debt management - Enhance transparency and streamline procedures</td>
<td>Debt records are manual and not centralized</td>
<td>Prepared an annual DSA report (US$0.25 million)</td>
<td>Prepared an MTDS report that informs the annual borrowing plan</td>
<td>Procedures Manual for debt management prepared, approved, and implemented</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consolidated and electronic debt recording system does not exist</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MTDS is not prepared</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSA does not include shocks and scenario analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dedicated debt statistical bulletin is not prepared</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLI #2 Value (in millions)</td>
<td>1.00</td>
<td>0.50</td>
<td></td>
<td>0.30</td>
<td>0.20</td>
<td></td>
</tr>
</tbody>
</table>

**DLI #3: Strengthened budget execution by improving controls over commitments (US$1.20 million)**

<p>| Strengthened budget execution by | CCS does not exist | Policy on commitment | Software solution for commitment | Policy on commitment control | CCS being used in up to 10 (ten) | CCS being used in 20 (twenty) |</p>
<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving controls over commitments</td>
<td>control, along with procedures/guidelines, developed</td>
<td>controls developed and accepted – (US$0.15 million)</td>
<td>approved and notified by the GoR – (US$0.10 million)</td>
<td>departments covering 90% of their capital expenditure above threshold as established by the policy</td>
<td>Formula - US$10,000 for every department that uses CCS (covering minimum 50% of the capital expenditure above threshold), plus US$250 for every percentage increase for every dept. that covers capital expenditure above 50% up to a max. of 90%</td>
<td>departments covering 90% of their capital expenditure above threshold as established by the policy</td>
</tr>
<tr>
<td>DLI #3 Value (in millions)</td>
<td>1.20</td>
<td>0.30</td>
<td>0.30</td>
<td>0.20</td>
<td>0.20</td>
<td>0.20</td>
</tr>
</tbody>
</table>

DLI #4: Improving Efficiency in Revenue Administration, Tax Recoveries /Arrears and Tax Audit in CTD (US$4.50 million)
<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #4.1: Decline in non/stop filers (CTD) (US$1.50 million)</td>
<td>Decline by 5% from baseline</td>
<td>Formula- US$ 80,000 for every percentage decline below baseline</td>
<td>Decline by 10% from baseline</td>
<td>Formula- US$ 70,000 for every percentage decline below baseline</td>
<td>Decline by 15% from baseline</td>
<td>Formula- US$ 60,000 for every percentage decline below baseline</td>
</tr>
<tr>
<td>DLI #4.1 Value (in millions)</td>
<td>1.50</td>
<td>0.40</td>
<td>0.35</td>
<td>0.40</td>
<td>0.35</td>
<td></td>
</tr>
<tr>
<td>DLI #4.2: Value of Tax Recoveries (reduction in arrears) in the CTD (US$ 1.50 million)</td>
<td>Tax arrears for last three years reduced to 57% of total arrears (^{1})</td>
<td>Tax arrears for last three years reduced to 45% of total arrears as on March 31, 2019</td>
<td>Tax arrears for last three years reduced to 40% of total arrears as on March 31, 2020</td>
<td>Tax arrears for last three years reduced to 35% of total arrears as on March 31, 2021</td>
<td>Tax arrears for last three years reduced to 30% of total arrears as on March 31, 2022</td>
<td></td>
</tr>
<tr>
<td>Tax arrears for last three years reduced to 50% of total arrears as on March 31, 2016</td>
<td>Formula- US$ 42,900 for every</td>
<td>Formula- US$ 60,000 for every</td>
<td>Formula- US$ 60,000 for every</td>
<td>Formula- US$ 60,000 for every</td>
<td>Formula- US$ 60,000 for every</td>
<td></td>
</tr>
</tbody>
</table>

\(^{1}\) 2015-2016 being the information available for the last three fiscal years as on March 31, 2016
<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #4.2 Value (in millions)</td>
<td>1.50</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
</tr>
<tr>
<td>DLI #4.3: Improving effectiveness of tax audit in the CTD (US$ 1.50 million)</td>
<td>Audit hit rate low&lt;sup&gt;a&lt;/sup&gt; (10%)</td>
<td>New audit methodology prepared and approved</td>
<td>Audit hit rate improves to 12% Formula- US$ 150,000 for every percentage increase over baseline up to a maximum of 12%</td>
<td>Audit hit rate improves to 15% Formula- US$ 100,000 for every percentage increase over 12% up to a maximum of 15%</td>
<td>Audit hit rate improves to 17% Formula- US$ 150,000 for every percentage increase over 15% up to a maximum of 17%</td>
<td>Audit hit rate improves to 20% Formula- US$ 100,000 for every percentage increase over 17% up to a maximum of 20%</td>
</tr>
<tr>
<td>DLI #4.3 Value (in millions)</td>
<td>1.50</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
</tr>
</tbody>
</table>

<sup>a</sup> Audit hit rate measured as percentage of cases where discrepancy was noticed during audits completed during the year.
<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #4 Value (in millions)</td>
<td>4.50</td>
<td>0.60</td>
<td>1.00</td>
<td>0.95</td>
<td>1.00</td>
<td>0.95</td>
</tr>
<tr>
<td>DLI #5: Improving Efficiency in Non-tax revenue departments (Transport, Excise) (USD 1.40 million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthening of Transport Department</td>
<td>The average growth in the Transport Department's revenue during past four years (from FY 2013-14 to FY 2016-17) is 12.24 %</td>
<td>Develop BPR (business process review) and action plan for the strengthening of the Transport Department</td>
<td>Discontinue manual collection and move to full electronic system of taxes, fees and fines.</td>
<td>Growth in Transport Department's revenue for FY 2019-20 over FY2018-19 by 12.75%</td>
<td>Growth in Transport Department's revenue for FY 2020-21 over FY2019-20 by 13.00%</td>
<td>Growth in Transport Department's revenue for FY 2021-22 over FY2020-21 by 14.00%</td>
</tr>
<tr>
<td>DLI Value (in millions)</td>
<td>0.80</td>
<td>0.25</td>
<td>0.25</td>
<td>0.10</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>DLI #5.2: Strengthening of Excise Department (USD 0.60 million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthening of Excise Department</td>
<td>The average growth being the CAGR in the Excise</td>
<td>Conduct institutional plan for the strengthening of Excise Department</td>
<td>Growth in Excise Department's revenue for FY 2019-</td>
<td>Growth in Excise Department's revenue for FY</td>
<td>Growth in Excise Department's revenue for FY</td>
<td></td>
</tr>
</tbody>
</table>

7 Transport department revenue for FY 2016-17 is Rs. 3622.83 cr.
<table>
<thead>
<tr>
<th>DLI Indicators</th>
<th>Baseline</th>
<th>DLI Targets for Year 1 March 31, 2019</th>
<th>DLI Targets for Year 2 March 31, 2020</th>
<th>DLI Targets for Year 3 March 31, 2021</th>
<th>DLI Targets for Year 4 March 31, 2022</th>
<th>DLI Targets for Year 5 March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #5.2 Value (in millions)</td>
<td>0.60</td>
<td>0.15</td>
<td>0.15</td>
<td>0.10</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>DLI #5 Value (in millions)</td>
<td>1.40</td>
<td>0.35</td>
<td>0.35</td>
<td>0.30</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>Total DLI Value (in millions)</td>
<td>10.95</td>
<td>2.40</td>
<td>2.35</td>
<td>2.45</td>
<td>2.10</td>
<td>1.65</td>
</tr>
</tbody>
</table>

1 Excise Department revenue for FY 2016-17 is Rs. 7053.68 cr.
APPENDIX

Section I. Definitions

1. "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.

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

3. "Commitment Control System" and the acronym "CCS" mean a mechanism to enforce expenditure ceilings and avoid payment arrears of Rajasthan, thereby limiting the commitments available to the resources or appropriations of Rajasthan.


5. "CTD" means Rajasthan's Commercial Tax Department or any successor thereto, acceptable to the Bank.

6. "Debt Sustainability Analysis" and the acronym "DSA" means an analysis prepared/to be prepared looking at the projected debt burden of Rajasthan and its vulnerability to external and policy shocks.

7. "Disbursement Linked Indicator" and the acronym "DLI" mean any one of the indicators set out in the table in Schedule 4 to this Agreement; and "DLIs" means, more than one such DLI.

8. "DLI Target" means any one of the annual targets set to be achieved under each DLI as set forth in the table in Schedule 4 to this Agreement; and "DLI Targets" means, collectively, more than one such target.

9. "DLI Target Achievement Date" means, with regard to each DLI Target, the end of the Fiscal Year during which the relevant DLI Target is set to be achieved as set forth in the table in Schedule 4 to this Agreement.

10. "DLI Value" means the total amount of the Loan allocated to each DLI Target as set forth in the table in Schedule 4 to this Agreement, pursuant to the respective formula detailed in Schedule 4 to this Agreement as such amount may be modified.
as per the provisions of Section IV.B.3 of Schedule 2 to this Agreement among the DLI Targets by notice from the Bank from time to time.

11. "DLI Verification Protocol" means the set of procedures, prepared for the Project and acceptable to the Bank as provided for in the Project Implementation Plan, to verify the achievement of DLI Targets, which sets out, inter alia, the description of the evidence required, as the same may be amended from time to time with the prior written agreement of the Bank.

12. "DoP" means Rajasthan's Department of Planning or any successor thereto, acceptable to the Bank.

13. "Eligible Expenditure Program" and the acronym "EEP" mean the actual expenditures incurred by the Borrower, the Project Implementing Entity and the Implementing Departments for the implementation of Part 2.2 of the Project, as detailed in the Project Implementation Plan.

14. "ED" means Rajasthan's Excise Department or any successor thereto, acceptable to the Bank.

15. "Fiscal Year" and the acronym "FY" mean the Recipient's fiscal year, which commences on April 1 in a given calendar year and closes on March 31 of the following calendar year.

16. "Finance Department" or "FD" means Rajasthan's Department of Finance or any successor thereto, acceptable to the Bank.

17. "GST" means "Goods and Services Tax", a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout the territory of the Borrower, to replace taxes levied by the central and state governments goods and service taxes.


19. "Implementing Departments" means Rajasthan's departments, including but not limited to: the Finance Department, including its Budget Division and Ways and Means Division; SPFC; Directorate of Treasuries and Accounts; Directorate of Inspection; RDPR; Local Fund Audit Department; CTD; ED; DoP; Information Technology Department; and Transport Department, all assisting the PMU in the implementation of specific activities under the Project.
20. "IT" means Information Technology.

21. "Medium Term Debt Strategy" and the acronym "MTDS" mean a plan prepared/to be prepared for the evolution of the public debt portfolio to operationalize the debt management objectives of Rajasthan.

22. "Non/Stop Filers" means the registered tax payers who either do not file their tax returns or have stopped filing their tax returns.

23. "Incremental Operating Costs" means inter alia, the following additional costs incurred in the carrying out of the Project: (i) remuneration of individuals appointed under and staff deputed to the Project and assigned to positions specifically created for purposes of the Project; and (ii) the costs of office expenses under the Project, including hiring and maintenance of vehicles, office rent, office maintenance, operation and maintenance of office's equipment purchased under the Project, communication costs, data collection for purposes of the Project, and Project related domestic and international travel costs including allowances.

24. "Official Gazette" means Rajasthan's official journal, a periodical publication that records the business and proceedings of Government of Rajasthan and has been authorized to publish legal notices.


26. "Procurement Plan" means the Borrower's procurement plan for the Project, dated March 15, 2018 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.

27. "Project Agreement" means the agreement between the Bank and the Project Implementing Entity 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 Project Agreement.


29. "Project Implementation Plan" means the implementation plan for the Project including all annexes thereto, acceptable to the Bank dated March 28, 2018, which describes the implementation and institutional arrangements and arrangements for compliance, verification and disbursement against DLIs for the Project, as such
plan may be amended from time to time by agreement between Rajasthan and the Bank.

30. "Project Management Unit" and the acronym "PMU" mean the co-ordination unit established within the Finance Department for the carrying out of Project activities pursuant to Section LA(1) of the Schedule to the Project Agreement.

31. "Project Monitoring Committee" and the acronym "PMC" mean the committee created under the leadership of Rajasthan's Finance Secretary, Budget, responsible for the review and monitoring of the Project.

32. "Project Steering Committee" and the acronym "PSC" mean the high-level steering committee created under the leadership of Rajasthan's Additional Chief Secretary, for purposes of providing strategic direction and overall guidance, reviewing implementation progress and approving annual work plans for Project implementation.

33. "Rajasthan" means the Borrower's State of Rajasthan, which is the Project Implementing Entity as set out in the Project Agreement.

34. "RTPP Act" means the Rajasthan Transparency in Public Procurement Act, 2012, as amended from time to time.

35. "RDPR" means Rajasthan's Rural Development and Panchayati Raj Department, or any successor thereto, acceptable to the Bank.

36. "Scalable DLI" means any DLI identified as such as per the DLI Verification Protocol to be eligible for partial Loan disbursements and/or reallocation in the case of partial achievement of DLI Targets.

37. "SBD" means standard bidding document.

38. "SPFC" means the State Procurement Facilitation Cell or its successor thereto established under the RTPP Act.

39. "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.

40. "Training" means non-consultant expenditures incurred in connection with the provision of training, including, study tours and workshops, training institution fees, logistics, materials, and the cost of travel and per diem of trainers and trainees.
41. "Transport Department" means Rajasthan’s Transport Department, or any successor thereto, acceptable to the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.

2. Paragraphs 84 (Procurement Plan) and 85 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.