Financing Agreement

(Additional Financing for Rajasthan Water Sector Restructuring Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 21, 2010
FINANCING AGREEMENT

AGREEMENT dated May 21, 2010, 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.

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 twelve million four hundred thousand Special Drawing Rights (SDR 12,400,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 15 and September 15 in each year.

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

2.07. The Payment Currency is Dollars.
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 Recipient’s State of Rajasthan in accordance with the provisions of Article IV of the General Conditions and the Additional 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 Additional Condition of Effectiveness consists of the following, namely, that all conditions precedent to the effectiveness of the Additional Project Agreement, other than those related to the effectiveness of this Agreement, shall have been fulfilled.

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is any of the following: Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

5.02. The Recipient’s Address is:

   Secretary
   Department of Economic Affairs
   Ministry of Finance, Government of India
   North Block
   New Delhi 110001, India

   Facsimile:

   91-11-23092039
5.03. The Association’s Address is:

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

Facsimile:

1-202-477-6391

AGREED at Jaipur, India, as of the day and year first above written.

INDIA

By /s/ Anuj Arora
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ R. S. Pathak
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) strengthen capacity for strategic planning and sustainable development and management of the surface and ground water resources in Rajasthan; and (b) increase the productivity of irrigated agriculture through improving the performance of surface irrigation systems and strengthening agriculture support services and increased involvement of users and the private sector in Rajasthan.

The Project consists of the Original Project and the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part A: Water Sector Institutional Restructuring and Capacity Building

Strengthening of Rajasthan’s existing hydrological information systems.

Part B: Improving Irrigation System Performance

Scaling up of dam safety and canal rehabilitation/modernization works (including works in Rajasthan’s Bhakra canal system), and installation of an automatic water measurement and recording system in Gang and Bhakra canal system in Rajasthan.

Part C: Project Management

Carrying out of Project related water sector studies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

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

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

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and shall cause Rajasthan to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

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 cause Rajasthan to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association. Said IUFRs will also serve as a basis for disbursement of the Credit for Eligible Expenditures incurred during said calendar quarter.
3. The Recipient shall have the Designated Account and the Project’s Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Designated Account and of the Financial Statements shall cover the period of one (1) financial year of the Recipient, commencing with the financial year in which the first withdrawal under the Project was made. The audit for the Designated Account and 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 and Works. All goods and works required for 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 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 and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:
Procurement Method

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in the Procurement Plan</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation in Procurement</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>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection Made Under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) 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 Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>5,357,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>5,866,000</td>
<td>85%</td>
</tr>
<tr>
<td>(3) Consultants’ services and training (including workshops)</td>
<td>1,162,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating costs</td>
<td>15,000</td>
<td>20%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>12,400,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this Section IV:

(a) the term “training” means non-consultant expenditures incurred in connection with the provision of training, including training institution fees, logistics, materials, and the reasonable cost of travel and per diem of trainers and trainees; and

(b) the term “operating costs” means the incremental costs of maintenance and operation of the PMU, including office expenses, vehicles, salaries and allowances of incremental PMU staff and other staff working for the Project, and travel costs incurred for the purposes of carrying out the Project.

B.  Withdrawal Conditions; Withdrawal Period
1. The Closing Date is March 31, 2013.

**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 March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2020 to and including March 15, 2030</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing September 15, 2030 to and including March 15, 2045</td>
<td>2.50%</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

Definitions


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


4. “ESMF” means Rajasthan’s Environmental and Social Management Framework, dated January 15, 2010, governing all social and environmental aspects of Project implementation, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate any adverse social and environmental impacts under the Project, all as prescribed in the Project’s Resettlement and Rehabilitation Policy Framework, the Tribal Development Strategy and the Integrated Pest Management Plan, as said framework may be updated from time to time by agreement between the Association and Recipient.

5. “Financial Management Manual” means the Financial Management Manual, set forth in chapter 5.0 of the PIP (as hereinafter defined), which provides for the financial management and institutional arrangements and obligations under the Project, as such Manual may be amended from time to time by agreement between the Association and Recipient.

6. “GAAP” means the Governance and Accountability Action Plan set forth as Annex 23 of the Project Implementation Plan (as hereinafter defined), which identifies key governance issues and sets forth mitigation measures to address said issues in respect of the carrying out of Project activities, as said Plan may be amended from time to time with the concurrence of the Association.

7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

8. “IUFR” means Interim Unaudited Financial Report, a report prepared by Recipient and submitted periodically to the Association which reflects all Project activities, financing, and expenditures, which report may be used to support disbursement requests under the Project.
9. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.

10. “M&E Agency” means the Monitoring and Evaluation Agency of the Project, established under the Original Project (as hereinafter defined).

11. “Original Credit Agreement” means the development credit agreement for a Rajasthan Water Sector Restructuring Project between the Recipient and the Association, dated March 15, 2002 (Credit No.3603-IN).

12. “Original Project Agreement” means the project agreement between Rajasthan and the Association, dated March 15, 2002 in connection with the Original Credit Agreement.

13. “Original Project” means the Project described in the Original Credit Agreement.

14. “PMU” means the Project Management Unit for the Project, established under the Original Project.


16. “Procurement Manual” means the Procurement Manual set forth as chapter 4 of the PIP (as hereinafter defined), which Manual sets forth the procurement management and institutional arrangements and obligations under the Project as such Manual may be amended from time to time by agreement between the Association and Recipient.

17. “Procurement Plan” means Rajasthan’s procurement plan for the Project, dated March 2, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

18. “Project Implementation Plan” or “PIP” means Rajasthan’s plan for implementation of the Project dated February 2, 2010, as said plan may be amended from time to time by agreement between the Association and the Recipient.