Financing Agreement

(West Bengal Institutional Strengthening of Gram Panchayats Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 2010
FINANCING AGREEMENT

AGREEMENT dated July 15, 2010, entered into between INDIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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 one hundred thirty one million eight hundred thousand Special Drawing Rights (SDR 131,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 1 and December 1 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 the 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 State 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 – TERMINATION

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

ARTICLE V – 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 Kolkata, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zagha
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to develop institutionally strengthened Gram Panchayats in the Recipient’s State of West Bengal.

The Project consists of the following parts:

Part A: Block-Grants to GPs

1. Provision of annual, performance-based Block-Grants to about 1000 Participating GPs in nine selected districts, to improve local governance and service delivery through the carrying out of Sub-projects.

Part B: Capacity Building for GPs

1. Strengthening the institutional capacity of GPs to deliver basic services, through the provision of technical advisory services, equipment, formal orientation and training of GPs officials and representatives, ongoing mentoring support, development of effective state-wide systems and testing of demand-led approaches to capacity development, including internal audit.

2. Developing the institutional capacity of Participating GPs through domestic exposure visits to other GPs.

Part C: Oversight and Performance Monitoring of PRIs

1. Strengthening of the Project State’s monitoring systems to enable the Project State to carry out: (i) Annual Assessments; (ii) improvement of internal monitoring and reporting systems in respect of GPs; and (iii) evaluations of the different activities carried out under the Project.

2. Strengthening the institutional capacity of ELA through the provision of equipment, technical advisory services and training.

Part D: Project Management and Implementation

1. Provision of technical advisory services and logistical assistance to support the management and implementation of the Project, including for the organization of information, education and communications campaigns, reporting, annual audits, mid-term review, and final evaluation of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project State in accordance with the Recipient’s standard arrangements for developmental assistance to the State 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 cause the Project State to ensure that Block-Grants for purposes of which withdrawal of Credit proceeds is sought have been prepared in accordance with the procedures and on the terms and conditions set forth or referred to in the PIM.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause the Project State to 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 indicators agreed with the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days 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, or shall cause the Project State to prepare and furnish to the Association not later
than forty-five (45) days after the end of each quarter, Interim Financial Reports (IFRs) for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have the Project’s Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Project’s Financial Statements shall cover the period of one (1) financial year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Project’s 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

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of the Schedule to the Project Agreement.

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, consultants’ services, workshops, training, audits, and Incremental Operating Costs</td>
<td>24,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Block-Grants</td>
<td>107,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>131,800,000</td>
<td></td>
</tr>
</tbody>
</table>

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.

2. 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 June 1 and December 1:</td>
<td></td>
</tr>
<tr>
<td>commencing December 1, 2020 to and including June 1, 2030</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing December 1, 2030 to and including June 1, 2045</td>
<td>2.5%</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. “Annual Assessment” means the assessments of GPs (as hereinafter defined) to determine annual eligibility for receipt of the Block-Grant (as hereinafter defined), on the basis of performance conditions and/or minimum mandatory conditions, as described in the PIM (as hereinafter defined).

3. “Block-Grant” means a grant made or proposed to be made by the Project State, out of the proceeds of the Financing, to a Participating GP to finance the costs of goods, works and services for Sub-projects carried out under Part A of the Project.


5. “DCU” means the District Coordination Unit, maintained by each of the Project Districts (as hereinafter defined), to manage and coordinate the day-to-day operations of the GP-Mentoring Teams.

6. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.

7. “ELA” means the Examiner of Local Accounts, a unit within the Office of the Accountant General of the Project State, mandated to conduct regular annual audits of the GPs.

8. “Environmental and Social Management Framework” or the acronym “ESMF” means the Framework dated February 26, 2010, and incorporated into the Project Implementation Manual (as defined hereinafter), which Framework sets out the principles and procedures for carrying out environmental and social assessments, and preparing and implementing environmental and social management plans in
respect of the Project, as said Framework may be revised from time to time in agreement with the Association.

9. “Fiscal Year” or the acronym “FY” means the fiscal year of the Recipient, starting April 1 and ending March 31 of the following year.

10. “Governance and Accountability Action Plan” means the Governance and Accountability Action Plan included in the Project Implementation Manual (as defined hereinafter), 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 in agreement with the Association.

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

12. “Gram Panchayat” or its acronym “GP” means a local government body at the village level under the Panchayat Raj Institution system (as hereinafter defined).

13. “GP-Mentoring Team” means the teams formed by the DCUs to assist in providing mentoring support to Participating GPs to strengthen the institutional capacity of Participating GPs.

14. “Incremental Operating Costs” means the costs incurred on account of Project management, including salaries of contracted staff, costs of staff travel, conveyance and subsistence, office and vehicle rentals, and equipment maintenance contracts.

15. “ISGPP Cell” means the cell established by WBSRDA (as hereinafter defined) to assume overall responsibility for day to day management, coordination and monitoring of the Project performance in line with the Project implementation schedule.

16. “Resolution” means any resolution of a Participating GP setting forth, inter alia, the terms and conditions for: (a) the release of a Block-Grant; (b) the use of, and the nature of activities and expenditures to be financed with the proceeds of, such Block-Grant; and (c) the reporting and monitoring requirements relating to the release and use of such Block-Grant.

17. “MOU” means the Memorandum of Understanding between WBSRDA (as hereinafter defined) and STARPAEERD (as hereinafter defined), and referred to in paragraph 6 of Section I of the Schedule to the Project Agreement.
18. “Participating GP” means any GP that has been selected, in accordance with criteria set forth in Section B.1 of the Schedule to the Project Agreement, to be eligible to receive a Block-Grant under Part A of the Project.

19. “Panchayat Raj Institution” or its acronym “PRI” means Panchayat Raj Institution, as provided for in the Constitution of India, relating to the Recipient’s devolution of powers and responsibilities in respect of self-government in rural areas.

20. “PRDD” means the Panchayats and Rural Development Department of the Government of the Project State (as hereinafter defined).


22. “Procurement Manual” means the manual dated April 20, 2010, satisfactory to the Association, and included in the Project Implementation Manual (as hereinafter defined), which sets forth, inter alia, methods and procedures for the procurement of goods, works and services under Part A of the Project, as said Manual may be revised from time to time in agreement with the Association.

23. “Procurement Plan” means the procurement plan for the Project, dated April 20, 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.

24. “Procurement Risk Mitigation Plan” means the Project’s Procurement Risk Mitigation Plan adopted by the Project State that sets forth an action plan to mitigate risks related to procurement processes, practices, planning, monitoring, evaluation and reporting, implementation, decision-making, and audits.

25. “Project District” means a district of the Project State that has been selected by the Project State to benefit from the Project in accordance with selection and eligibility criteria set forth in the Project Implementation Manual.

26. “Project Implementation Manual” or the acronym “PIM” means the implementation manual for the Project, dated April 20, 2010, satisfactory to the Association, containing, inter alia, the operating procedures for the carrying out of the Project, including implementation and institutional arrangements, funds flow, performance indicators, and eligibility criteria used in selecting Participating GPs, as such Manual may be revised from time to time in agreement with the Association.
27. “Project State” means the Recipient’s State of West Bengal which is the Project Implementing Entity (for purposes of the General Conditions).

28. “STARPARD” means the Society for Training and Research on Panchayat and Rural Development, established in 1997, and registered under the Registration of Societies Act 1961, with the objective of conducting sponsored training programs.

29. “Sub-project” means any activity or scheme to be carried out under Part A of the Project, which meets the eligibility criteria described in Section I of the Schedule to the Project Agreement and in the PIM.

30. “Tribal and Other Vulnerable Group Development Framework” means the Framework for the Project, dated February 26, 2010, included in the ESMF and incorporated into the Project Implementation Manual, which Framework sets out the principles and procedures to address the concerns of tribal populations within the Project so that they duly receive social and economic benefits that are culturally appropriate.


**Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

   If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”
2. Paragraph (l) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

   (l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

   “‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”