Financing Agreement

(Mizoram State Roads II – Regional Transport Connectivity Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 28, 2014
FINANCING AGREEMENT

AGREEMENT dated August 28, 2014, 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 sixty nine million two hundred thousand Special Drawing Rights (SDR 69,200,000) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum for amounts withdrawn out of the Credit.

2.06. The Payment Dates are June 1 and December 1 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 United States Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective 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. 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
Department of Economic Affairs
Ministry of Finance
Government of India
North Block
New Delhi 110 001, India

Facsimile:
+91-11-23095071

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

[Signature]

By

Authorized Representative

Name: Nilaya Mitash
Title: Joint Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

By

Authorized Representative

Name: Onna Ruhl
Title: 

3
SCHEDULE 1

Project Description

The objective of the Project is to increase transport connectivity along regional trade corridors in Mizoram.

The Project consists of the following parts:

Component A: Improvement of Priority Cross-Border Roads and Trade-Related Infrastructure

1. (a) Widening and upgrading/strengthening approximately 90.78 km of state roads, namely:
   (i) Lunglei – Tlabung – Kawrpucchuah Road (approximately 22 km);
   (ii) Champhai – Zokhawthar Road (approximately 27.25 km); and
   (iii) Chhumkhum – Chawngte Road (approximately 41.53 km);

(b) preparing detailed studies and designs for approximately 330 km of roads in the North-South Corridor; and

(c) carrying out roads safety improvements/engineering countermeasures on identified road corridors, to demonstrate road safety good practices.

2. Building and/or improving trade-related infrastructure located along the Project’s targeted roads, including market haat structures and truck stops.

Component B: Road Sector Modernization and Performance Enhancement through Institutional Strengthening

Strengthening the Public Works Department (PWD) capacity to implement its road sector modernization plan by:

(a) modernizing policies, engineering practices and business procedures, including the development and/or update of sector policies and strategies, and engineering, procurement and contract management manuals to introduce improved practices and standards for the design, construction, quality monitoring, and maintenance of hill road, and the carrying out of related studies;
(b) upgrading the current maintenance management system into an asset management systems including the development of an asset management strategy and asset management information system for the strategic core road network comprised of key state and regional corridors; (ii) operationalizing the existing road maintenance fund approved under the Mizoram Road Fund Rules (2010); (iii) providing technical assistance to mobilize additional funds for road maintenance; and (iv) piloting the use of simple maintenance contracts including community participation in maintenance works;

(c) (i) designing and implementing a human resources development strategy for PWD in order to improve PWD’s organizational structure, strengthen the capabilities of PWD’s engineers and administrative staff, and continue with the computerization of PWD; and (ii) designing and implementing a capacity building program for the local construction industry;

(d) (i) refining and implementing PWD’s road safety strategy by increasing the road safety management capacity of PWD and related agencies, implementing road safety audits and road safety interventions along priority road corridors, and integrating road safety measures into the asset management system to be developed; and (ii) carrying out public awareness programs on road safety and work zone safety; and

(e) enhancing PWD’s environmental and social safeguards management capacity through the strengthening of the Environment and Social Management Cell’s institutional capacity for planning, implementation and monitoring of environmental and social safeguard policies; including the development and implementation of an environmental and social safeguards policy for road development projects, covering forest and biodiversity conservation aspects thereof.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending 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. Notwithstanding paragraph 1 above, in the event that any provision of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, were to be found inconsistent with the Recipient's standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall govern.

3. The Recipient shall protect its own interests and the interests of the Association to accomplish the purpose 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause the Project Monitoring Entity 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 one calendar semester, 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 cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall 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 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 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 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, 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 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) National Competitive Bidding, subject to the additional provisions set forth in the Procurement Plan; (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (d) Direct Contracting; and (e) Force Account.

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; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Selection of Individual Consultants on Single source in accordance with paragraph 5.6 of the Consultant Guidelines.

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 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,</td>
<td>67,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Workshops and Incremental Operating Costs for the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>2,000,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Condition</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>69,200,000</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 October 31, 2020.
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, 2019 to and including June 1, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing December 1, 2029 to and including June 1, 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

1. "Affected Persons" means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


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

4. "Champhai – Zokhawthar Road" means the road connecting Mizoram's towns of Champhai and Zokhawthar.

5. "Chhumkhum – Chawngte Road" means the road connecting Mizoram's towns of Chhumkhun and Chawngte.

6. "Construction Supervision Consultant" means the consulting firm referred to in Section I.A.2.(b) of the Schedule to the Project Agreement.


8. "District" means any of the eight (8) administrative subdivisions of the Project Implementing Entity.

9. "EIAs" means, collectively: (a) the Project Implementing Entity's environmental impact assessments dated February 11, 2014, assessing the likely positive and negative environmental impact of Project activities to be carried out on account of the improvement/upgrading of the Champhai – Zokhawthar Road and Chhumkhum – Chawngte Road, respectively; and (b) any additional environmental impact assessments required to be prepared during the implementation of the Project in accordance with the EMF pursuant to Section I.2 of the Schedule to the Project Agreement, each such assessment in form and substance satisfactory to the Association; as such assessment may be revised,
updated or supplemented from time to time with the prior concurrence of the Association.

10. “Environmental and Social Management Cell” means the social and environmental implementation cell referred to in Section I.A.1.(c) of the Schedule to the Project Agreement.

11. “Environmental Management Framework” and the acronym “EMF” mean the Project Implementing Entity’s framework, dated February 11, 2014, setting forth the guiding principles, acceptable standards and procedures for: (a) the screening of Project activities and the identification of any adverse or positive environmental impacts caused, or expected to be caused, on account of their implementation; and (b) the principles, objectives and procedures governing the preparation and implementation of any prescribed EIAs and EMPs; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

12. “Environmental Management Plans” or “EMPs” mean, collectively: (a) the Project Implementing Entity’s plans dated February 11, 2014, and prepared on account of the improvement/upgrading of the Champhai – Zokhawthar Road and Chhumkhum – Chawngte Road setting out mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) eliminate adverse environmental impacts of activities to be implemented under the Project; (ii) offset them, or reduce them to acceptable levels; (iii) enhance any positive impacts thereof; as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank; and/or (iv) ensure compliance with Recipient’s and the Project Implementing Entity’s statutory environmental requirement; and (b) any additional environmental management plans required to be prepared pursuant to Section I.E.2 of the Schedule to the Project Agreement, in accordance with the provisions of the EMF, each such plan in form and substance satisfactory to the Association; as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

13. “Finance Department” means Mizoram’s department of finance or any successor thereto.

14. “Field Division” means each of the District-specific field divisions referred to in Section I.A.1.(e) of the Schedule to the Project Agreement.

15. “Forest Department” means Mizoram’s department of forests or any successor thereto.

16. “GAAP” means “the Project Implementing Entity’s governance and accountability action plan, dated March 24, 2014, for purposes of the Project,
which sets out the key actions to be undertaken by the Project Implementing Entity to strengthen governance, transparency and accountability under the Project; as such plan may be revised from time to time with the agreement of the Association.

17. “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.

18. “High Level Project Steering Committee” means the steering committee referred to in Section I.A.1.(a) of the Schedule to the Project Agreement.

19. “Incremental Operating Costs” means the reasonable costs of incremental expenditures incurred by the PWD on account of Project preparation and/or implementation, which expenditures would not have been incurred absent the Project, including, inter alia: office space rental and utilities, office maintenance and repair, office consumables, vehicles rental, operation and maintenance; communications, printing and/or publication expenses; staff per diems, field allowances; travel expenses; bank charges; Training and Workshops; and insurance premia; but excluding salaries and salary supplements of civil servants.

20. “Indigenous Peoples” means any distinct, vulnerable, social and cultural group within the territory of the Recipient, that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; (iv) has an indigenous language, often different from the official language of the Recipient; and/or (v) as defined by the Constitution of India.


22. “Mizoram” means the Recipient’s State of Mizoram, an Indian State.


25. "North-South Corridor" means the road alignment that starts at Junction NH44A (Origination) passing through Chungtlang, Darlung, Buarpu, Thenhlum, Zawlpui, Phairuangkai and Chawngte.

26. "Planning Department" means Mizoram's Department of Planning or any successor thereto.

27. "Procurement and Contracts Management Cell" means the cell referred to in Section I.A.1.(d) of the Schedule to the Project Agreement.


29. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 4, 2014 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.

30. "Project Agreement" means the agreement, dated the same date as this Financing Agreement, between the Association and the State of Mizoram in relation to the Project.


32. "Project Implementation Unit" or "PIU" mean the project implementation unit referred to in Section I.A.1.(b) of the Schedule to the Project Agreement.

33. "Project Management Consultant" means consulting firm referred to in Section I.A.2.(a) of the Schedule to the Project Agreement.

34. "Public Works Department" or "PWD" means Mizoram's Department of Public Works, or any successor thereto agreed with the Association.

35. "Resettlement Action Plan and Indigenous People's Development Plan" and the acronym "RAP&IPDP" mean: (a) each of the Project Implementing Entity's resettlement and indigenous peoples' development plans dated February 6 and 8, 2014, and prepared on account of the improvement/upgrading of the Champhai – Zokhawthar Road and Chhumkhum – Chawngte Road, respectively, setting out the consultation, mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) minimize the adverse impacts of Project activities on Indigenous Peoples; (ii) offset such impacts, or reduce them to acceptable levels; (iii) enhance positive impacts thereof so that Indigenous Peoples receive culturally appropriate social and economic benefits; and (iv) provide compensation, rehabilitation and
resettlement assistance to the Project’s Affected Persons in accordance with the provisions of the SMF; and (b) any additional resettlement and indigenous peoples’ development plans required to be prepared pursuant to Section I.E.2 of the Schedule to the Project Agreement, each such plan in form and substance satisfactory to the Association, in accordance with the provisions of the SMF; as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

36. “Revenue Department” means Mizoram’s department of revenue or any successor thereto.

37. “Road Sector Modernization Group” or “RSMG” mean the road sector modernization group referred to in Section I.A.1.(f) of the Schedule to the Project Agreement.

38. “Rural Development Department” means Mizoram’s department of rural development or any successor thereto.

39. “Safeguard Documents” means, collectively, the EMF, the SMF, the various EIAs, EMPs, SIAs and the RAP&IPDPs.

40. “SIAs” means, collectively: (a) the Project Implementing Entity’s social impact assessment, dated February 6, 2014 and February 8, 2014, reflecting the quantitative and qualitative assessment carried out to determine the potential positive and adverse impacts that are likely to occur on communities living in the Project area, with respect to their assets and livelihoods on account of the improvement/upgrading of the Champhai – Zokhawthar Road and Chhumkhum – Chawngte Road, respectively; and (b) any additional social impact assessments required to be prepared during the implementation of the Project in accordance with the SMF pursuant to Section I.E.2 of the Schedule to the Project Agreement in order to assess the likely social impact of Project activities, each such assessment in form and substance satisfactory to the Association; as such assessments may be revised from time to time with the prior concurrence of the Association.

41. “Social Management Framework” and the acronym “SMF” mean the Project Implementing Entity’s social management framework dated January 31, 2014, which sets forth, inter alia: (a) the protocols for screening Project activities and identifying, assessing and mitigating any potential Project-related social impact, including the procedures for the consultation with Affected Persons and Indigenous Peoples, the mechanism for processing of complaints and redressing grievances, the entitlement schedule for any Affected Persons, as well as the monitoring and reporting requirements in relation thereto, (b) the principles, objectives and procedures governing the preparation and implementation of any prescribed SIAs and RAP&IPDPs; as such framework may be revised, updated
or supplemented from time to time with the prior written concurrence of the Association.

42. "Trade Department" means Mizoram's department of trade or any successor thereto.

43. "Training and Workshops" means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient and, subject to the Association's prior approval, overseas, including training institutional and course fees, logistics expenses, rental of training facilities, purchase and publication of training materials, and travel and subsistence allowance for trainers and/or trainees.

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
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).