Financing Agreement

(Rajasthan Road Sector Modernization Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JANUARY 2, 2014
FINANCING AGREEMENT

AGREEMENT dated January 2, 2011, 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 five million six hundred thousand Special Drawing Rights (SDR 105,600,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

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

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

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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

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

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the 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:

+91-11-23092494

5.03. The Association's Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

Authorized Representative

Name: Nilaya Misra
Title: Joint Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Manoj Jain
Title: Acting Country Director, India
SCHEDULE 1

Project Description

The objective of the Project is to improve rural connectivity, enhance road safety and strengthen road sector management capacity of Rajasthan.

The Project consists of the following parts:

Component A: Rural Connectivity Improvement

Constructing and/or upgrading approximately 2,500 kilometers of Rural Roads providing all weather connectivity to approximately 1,300 small revenue villages in areas not covered by the PMGSY Project, introducing good practices and piloting cost-effective low-traffic road construction technologies.

Component B: Road Sector Modernization and Performance Enhancement

Strengthening the PWD in order to implement a road sector modernization plan aimed at:

(a) improving the current policy framework and development strategies for the sector, including a revised financing framework for road construction and maintenance, and strengthening the private-public partnership framework for the sector, as well as the participation of local governments in road management;

(b) modernizing engineering practices and business procedures by introducing new project preparation and management practices, design and construction standards, adopting cost-effective technologies suitable for the development of low-traffic roads, improving procurement procedures, and developing a PWD-wide procurement and contract management manual;

(c) fostering sustainable asset management, by overhauling and computerizing the current road maintenance management system, adopting rationalized criteria in the prioritization of sector investments, and introducing new maintenance contract schemes;

(d) strengthening the human resources capabilities of PWD, keeping them abreast with the latest practices in road design, construction and maintenance, and computerizing PWD offices;

(e) carrying out feasibility studies and detailed engineering designs of approximately 700 kilometers of State Highways or Major District Roads; and
enhancing governance and accountability of the PWD.

**Component C: Road Safety Management**

Strengthening Rajasthan's road safety management system through:

(a) (i) developing and implementing a multi-sector road safety strategy, consisting of targeted infrastructure improvements and behavioral interventions on road users, on selected demonstration road-corridors; and

(ii) carrying out iRAP surveys to establish road safety baselines on high-risk corridors in major State Highways or Major District Roads with high traffic volumes;

(b) providing technical assistance to PWD for the assessment of:

(i) existing institutional arrangements and multi-sector approach coordination in the preparation and implementation of a state road safety action plan; and

(ii) benchmarking current road-safety policies in light of international best practice, in order to identify and evaluate options, and make recommendation, for the improvement thereof;

(c) carrying out a road safety audit in some of the Rural Roads constructed under Component A above (in each zone), including roads linking to them;

(d) designing and implementing road safety education and awareness programs; and

(e) providing state-of-the art traffic management and safety equipment for the TD and Police Department for road safety initiatives.
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 development assistance to the States of India.

2. 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 Implementing 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 as agreed with the Association. Each Project Report shall cover the period of one calendar quarter, 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 calendar quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the
General Conditions. Each audit of the Financial Statements shall cover the period of one 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 following 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; and (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.

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, goods, non-consulting services, consultants’ services, and Incremental Operating Costs</td>
<td>103,600,000</td>
<td>70%</td>
</tr>
<tr>
<td>(2) Refinancing of Preparation Advance</td>
<td>2,000,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>105,600,000</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, except that withdrawals up to an aggregate amount not to exceed SDR 21,120,000 equivalent may be made for payments made prior to this date but on or after April 1, 2013, for Eligible Expenditures.

2. The Closing Date is December 31, 2018.
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 March 15, 2019 to and including September 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing March 15, 2029 to and including September 15, 2038</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

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

Section I. Definitions


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


4. “Displaced Persons” means persons who, on account of the execution of the Project, have 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 persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.

5. “Districts” means any of the thirty-three (33) administrative subdivisions of the Project Implementing Entity.

6. “ECoPs” means the Project Implementing Entity’s Environmental Code of Practices dated August 27, 2013, for purposes of the Project; which sets forth the acceptable standards to be followed/adhered to by the Project Implementing Entity and its contractors for the handling of environmental aspects during preparation, construction and post-construction phases of civil work; as such code may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

7. “ED” means the Project Implementing Entity’s Education Department or any successor thereto.

8. “EMF” means the Project Implementing Entity’s “Environmental Management Framework”, dated August 27, 2013, setting forth the guiding principles, processes 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 preparation and implementation of prescribed environmental management documents pursuant to Section I.D.2(b) of the Project Agreement; as such
framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

9. "ESMC" means the Project Implementing Entity's environmental and social management cell referred to in Section I.A.1(b) of the Schedule to the Project Agreement.

10. "FM Manual" means the manual dated September 5, 2013, for purposes of the Project; which manual provides for detailed guidance on segregation of financial management duties, internal control protocols, accounting and record keeping procedures, funds flow arrangements, withdrawal applications procedures, asset management, reporting and auditing arrangements applicable to the Project; as such manual may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Association.

11. "GAAP" means the Project Implementing Entity's governance and accountability action plan dated August 11, 2013, for purposes of the Project; which plan sets out the key actions to be undertaken by the Project Implementing Entity to strengthen governance, transparency and accountability under the Project; as such action plan may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Association.

12. "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.

13. "HD" means the Project Implementing Entity's Home Department or any successor thereto.

14. "HeD" means the Project Implementing Entity's Health Department or any successor thereto.

15. "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Project Implementing Entity on account of Project implementation, management and monitoring, including, inter alia: (i) costs of incremental staff salaries (other than consultants); (ii) dissemination of Project related information; (iii) office rental and leasing operation and maintenance of equipment; (iv) office supplies and utilities; (v) travel and boarding/lodging allowances; (vi) leasing, operation and maintenance of vehicles; (vii) advertising and communication expenses; (viii) bank charges; and (ix) Workshops and Training.

16. "iRAP" means the International Road Assessment Program, a charity operating under the laws of the United Kingdom of Great Britain and Northern Ireland, and registered under the Company No.05476000, and Charity No. 1140357.
17. "Major District Roads" means important roads within a district serving areas of production and markets. Major District Roads may also connect some other MDR or with National/State Highways.

18. "PMC" means the Project management consulting firm referred to in Section I.A.3(a) of the Schedule to the Project Agreement.

19. "PMGSY Project" means the Pradhan Mantri Gram Sadak Yojana Rural Roads Project, financed by the International Bank of Reconstruction and Development and the Association pursuant to their respective Loan Agreement and the Financing Agreement entered with the Recipient on January 14, 2011 (i.e. Loan 7995-IN and Credits 4848-IN and 4849-IN).

20. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 31, 2013 and on behalf of the Recipient on March 6, 2013 (PPA No. IDA Q8470).


22. "Procurement Manual" means the manual dated September 16, 2013, for purposes of the Project; which manual provides for detailed guidance on segregation of procurement management duties, procedural steps and criteria for the preparation of bidding documents, invitation and evaluation of bids, and contract awards, as well as any required consultations; as such manual may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Association.

23. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated September 10, 2013 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.


25. "Project Implementation Unit" and the acronym "PIU" mean each of the District-specific project implementation units referred to in Section I.A.1(c) of the Schedule to the Project Agreement.

26. "Project Management Unit" and the acronym "PMU" mean the management unit referred to in Section I.A.1(a) of the Schedule to the Project Agreement.
27. "Project Working Group" and the acronym "PWG" mean the technical working group referred to in Section I.A.2(b) of the Schedule to the Project Agreement.

28. "PWD" means the Project Implementing Entity's Public Works Department or any successor thereto.

29. "Rajasthan" means the Recipient's State of Rajasthan, formed and recognized pursuant to the Recipient's States Reorganization Act of 1956; as well as any successor thereto.

30. "Rural Roads" means the Project Implementing Entity's small roads connecting rural and or sub-urban revenue villages with a population between two hundred and fifty (250) to four hundred ninety-nine (499) people.

31. "Safeguard Documents" means collectively, the SMF VF & RPF, the EMF and the ECoP, as well as the documents (to be) prepared pursuant to Section I.D.2(b) of the Schedule to the Project Agreement.

32. "SMF, VF & RPF" means the Project Implementing Entity's "Social Management Framework and Vulnerability Framework (for Rural Roads), and the Resettlement Policy and Framework for safety interventions, dated August 27, 2013, setting for the guiding principles, acceptable standards and procedures for: (a) the screening of Project activities and the identification, assessment and mitigation of any potential Project-related social impact, including the protocols for the consultation with Project affected persons, including Vulnerable Communities, the mechanism for processing of complaints and redressing grievances, the entitlement schedule for any Displaced Persons, as well as the monitoring and reporting requirements in relation thereto, and the guidelines for land donation processes as well as the monitoring and reporting requirements in relation thereto; and (b) the preparation and implementation of prescribed resettlement measures and/or Vulnerable Communities development actions prepared/identified pursuant to Section I.D.2(b) of the Schedule to the Project Agreement; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

33. "State Highways" means, collectively, the major arterial routes of Rajasthan which connect district headquarters and cities within the state. State Highways may also connect National Highways or highways of neighboring states.

34. "TD" means the Project Implementation Entity's Transport Department or any successor thereto.

35. "TFAC" means the technical and financial audit consulting firm referred to in Section I.A.3(b) of the Schedule to the Project Agreement.
36. "UDD" means the Project Implementing Entity's Urban Development Department or any successor thereto.

37. "Vulnerable Communities" means any distinct, vulnerable, social and cultural group within the territory of the Project Implementing Entity, 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; and (iv) has an indigenous language, often different from the official language of the Recipient.

38. "Workshops and Training" means the reasonable cost of trainings, seminars, workshops, conferences and study tours, conducted in the territory of the Borrower and/or overseas, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances both for trainers and trainees; (c) the rental of training facilities; and (d) preparation, purchase or reproduction of training materials.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

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

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

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

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

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

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

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