Loan Agreement

(Punjab Rural Water and Sanitation Sector Improvement Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 11, 2015
LOAN AGREEMENT

Agreement dated January 11, 2015, between India ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred and forty eight million Dollars ($248,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule I to this Agreement ("Project").

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

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
2.06. The Payment Dates are June 15 and December 15 in each year.

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

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the State of Punjab in accordance with the provisions of Article V of the General Conditions, the Project Agreement, and the Project Implementation Plan.

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

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following: A situation has arisen which shall make it improbable that Punjab’s Department of Water Supply and Sanitation will be able to carry out its obligations under the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Borrower’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.

6.02. The Borrower’s Address is:

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

Facsimile:

91-11-23092039
6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By [Signature] 11/07/2015
Authorized Representative

Name: Raj Kumar
Title: Joint Secretary (M1)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]
Authorized Representative

Name: Michael Honey
Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve water and sanitation service levels, reduce open defecation, and strengthen service delivery arrangements in targeted villages in Punjab.

The Project consists of the following parts.

Part A. Transformation - Improved Livability of Villages
1. Strengthening water supply schemes for improved service delivery.
2. Constructing sewerage schemes with treatment systems.

Part B. Inclusive Household Water and Sanitation Services
1. Improving access to water through household connections.
2. Strengthening operations for improved water supply service levels.
3. Toilet Grants for individual household toilets.

Part C. Improved Water Quality
1. Water quality monitoring and mitigation.
2. Improving infrastructure for providing safe and treated water to water-quality-affected villages.

Part D. Strengthening Institutions and Project Management
1. Strengthening sector institutions for service delivery and capacity building.
2. Project management costs.
SCHEDULE 2

Project Execution

Section 1. Funds Flow and Implementation Arrangements

A. Institutional Arrangements

1. To facilitate carrying out of the Project, the Borrower shall make the proceeds of the Financing available to Punjab in accordance with the Borrower’s standard arrangements for developmental assistance to the States of India. Notwithstanding the foregoing, in the event that any provision of this Agreement, including the instructions that the Bank shall have specified by notice to the Borrower pursuant to Section V.A.1 of this Schedule, were to be found inconsistent with the Borrower’s standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall govern.

2. The Borrower shall cause Punjab to make available the Loan proceeds to its Department of Water Supply and Sanitation within fourteen days of its receipt of such proceeds from the Borrower.

3. The Borrower shall cause Punjab to ensure that its Department of Water Supply and Sanitation is staffed and operates with such resources, policies, powers, functions, staffing, and expertise acceptable to the Bank, as required to carry out the Project, and shall cause Punjab to exercise the general oversight of the implementation of the Project activities.

4. The Borrower shall cause Punjab and its government departments and agencies, including its Department of Water Supply and Sanitation to take all necessary steps to ensure that all Project activities are implemented in accordance with the Schedule to the Project Agreement.

5. The Borrower shall protect the interests of the Borrower and the Bank to accomplish the purposes of the Loan.

B. Anti-Corruption

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

C. Safeguards

The Borrower shall ensure that Punjab’s government departments and agencies, including its Department of Water Supply and Sanitation and the Gram
Panchayat Water and Sanitation Committees carry out the Project in accordance with the Project Agreement, Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the Technical Manual, the Environmental Management Framework, any Environmental Management Plan, the Social Management Action Plan, and any Resettlement Action Plans.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, together with Punjab, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty-five days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall, or cause Punjab to prepare and furnish to the Bank not later than forty-five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) 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 Loan 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 Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

### B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures subject to the following additional procedures, namely, that the Standard Bidding Documents and Procedures approved by the Bank shall be used. Procurement Plans developed for the Project shall specify the circumstances under which such method may be used.

2. **Other Methods of Procurement of Goods, Works, and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (e) Direct Contracting; (f) Force Account; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Bank; and (i) Community Participation procedures which have been found acceptable to the Bank.

### C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in
the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; 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 Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank 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 Loan (“Category”), the allocation of the amounts of the Loan 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 Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Toilet Grants under Part B.3 of the Project</td>
<td>60,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, and consultants' services for all Project activities except Toilet Grants under Part B.3 of the Project</td>
<td>187,380,000</td>
<td>64%</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 USD 10,000,000 may be made for payments made prior to this date but on or after January 1, 2015, for Eligible Expenditures.

2. The Closing Date is March 31, 2021

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<th></th>
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</thead>
<tbody>
<tr>
<td>(3) Front-end Fee</td>
<td>620,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08 (c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>248,000,000</td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15 Beginning December 15, 2021 through December 15, 2047</td>
<td>1.85%</td>
</tr>
<tr>
<td>On June 15, 2048</td>
<td>1.95%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the
principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


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


5. “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.

6. “Environmental Management Framework” means the framework adopted by Punjab through a Government Order No. 6590, dated December 23, 2014, and disclosed in the Bank’s Infoshop on January 23, 2015, respectively for: (a) screening of Project activities and identification of any environmental impacts caused, or expected to be caused on account of their implementation; and (b) mitigating adverse environmental impacts caused by the Project, including the preparation of Environmental Management Plans, as such framework may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.

7. “Environmental Management Plan” means an environmental management plan prepared under the Project in accordance with the Environmental Management Framework and acceptable to the Bank, setting out measures to manage potential environmental risks and mitigate, reduce or offset environmental impacts associated with the implementation of activities under the Project as such plan may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Bank.
8. "Financial Management Manual" means the manual, dated February 19, 2015, and satisfactory to the Bank, adopted by Punjab for carrying out, monitoring and supervising the financial management aspects of the implementation of the Project as such manual may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.

9. "Fiscal Year" or "FY" means the Borrower's and Punjab's fiscal year, beginning on April 1 of any calendar year and ending on March 31 of the following calendar year.

10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans" dated March 12, 2012, with the modifications set forth in Section II of this Appendix.


12. "Gram Panchayat Water Supply and Sanitation Committee" means the water supply and sanitation committee constituted in a Gram Panchayat to carry out Project activities.

13. "Incremental Operating Costs" means contractual staff salaries and benefits, conveyance and subsistence allowances, incremental office and vehicle rentals, equipment maintenance contracts and any other expenses agreed with the Bank.


15. "Procurement Manual" means Punjab's procurement manual for the Project dated February 23, 2015, as such manual may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.

16. "Procurement Plan" means Punjab's procurement plan for the Project dated February 23, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as such plan may be updated from time to time in accordance with the provisions of said paragraphs.

17. "Project Agreement" means the agreement between the Bank and Punjab of even date hereafter, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

the Project, as such plan may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.


20. "Punjab" means the Borrower's State of Punjab or any successor(s) thereto, and the Project Implementing Entity for the Project.

21. "Resettlement Action Plans" means Punjab's plans comprising land acquisition and compensation measures with adequate budget, implementation arrangements and timelines to mitigate and minimize social and involuntary resettlement impacts on Displaced Persons, which are satisfactory and acceptable to the Bank and prepared in accordance with the Social Management Action Plan, as such plans may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.

22. "Social Management Action Plan" means the action plan adopted by Punjab through a Government Order No. 6590, dated December 23, 2014, and disclosed in the Bank's Infoshop on February 6, 2015, respectively for mitigating adverse social and vulnerability impacts caused by the Project, which is satisfactory and acceptable to the Bank, as such plan may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.

23. "Technical Manual" means Punjab's technical manual, dated February 23, 2015 covering engineering design and construction and operations management guidelines for water supply, sewerage and sanitation schemes under the Project, as such manual may be revised, updated, or supplemented, from time to time, with the prior written concurrence of the Bank.

24. "Toilet Grant" means a grant for an individual household toilet constructed under Part B.3 of the Project for which withdrawals from the Loan Account shall not exceed USD 96 or any other ceiling agreed with the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

"Section 3.01. Front-end Fee; Commitment Charge"
(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."