Financing Agreement

(Maharashtra Rural Water Supply and Sanitation Program)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 30, 2014
FINANCING AGREEMENT

AGREEMENT dated \textit{May 30}, 2014, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

\textbf{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.

\textbf{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 and seven million, two hundred thousand Special Drawing Rights (SDR 107,200,000) (variously, "Credit" and "Financing") to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
2.06. The Payment Dates are March 1 and September 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 Dollars.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall cause Maharashtra to carry out the Program in accordance with the provisions of Article IV of the General Conditions and the Program 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 Maharashtra carries out the Program in accordance with the provisions of Schedule 2 to this Agreement and the Program Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consist of the following, namely, the Program has been modified or suspended so as to affect materially and adversely the ability of Maharashtra to achieve the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

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

Facsimile:

+91-11-23092247

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 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: ______________________
Title: ______________________

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: ______________________
Title: ______________________
SCHEDULE 1

Program Description

The Program's development objective is to improve the performance of Maharashtra's sector institutions in planning, implementation and monitoring of its rural water supply and sanitation program and to improve access to quality and sustainable services in peri-urban villages, and in water-stressed and water quality-affected areas.

The Program consists of the following two categories of activities:

1. institutional capacity building for planning, implementation, and monitoring of the Rural Water Supply and Sanitation (RWSS) sector across Maharashtra; and

2. in select Districts, implementation of: (a) water supply and sullage management service improvements in select peri-urban villages; and (b) water supply service improvements, and improved groundwater management practices in water-stressed and water-quality-affected areas, through:

   (i) construction, rehabilitation, augmentation and extension of existing water supply systems and construction of new sullage management schemes in peri-urban villages;

   (ii) scaling up of sustainable groundwater management practices in critically exploited aquifers; and

   (iii) construction and rehabilitation of water systems in water-stressed and water-quality-affected areas.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall cause Maharashtra to ensure that the Program is carried out in accordance with financial management, procurement, and environmental and social management systems mutually acceptable to the Association and the Recipient, including those set out in the Program Manual and the Program Action Plan ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

(a) the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

(b) the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall cause Maharashtra to ensure that the Program is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the following provisions.

The Association's right to investigate allegations regarding the Program's activities and expenditures, and the related access to needed persons, information, and documents will be observed in accordance with the protocol dated July 30, 2008 between the Recipient and the Association and certain "mutatis mutandis" adjustments, inter alia, outlined below.

1. The term "Bank" shall be substituted by the term "Association."

2. In paragraph 3, the term "Joint Secretary (Procurement), Ministry of Health and Family Welfare," shall be substituted by representative designated by the Recipient.

3. Where applicable, the term "projects" shall be substituted by the term "Program."
4. Where applicable "Financing Agreements" shall be substituted with the expression "Financing Agreement and Program Agreement."

5. In paragraph 2, the following sentence is added at the paragraph's end: "At the Association's request, the Recipient shall take all necessary measures to cause the Program Implementing Entity to provide the Association with access to the Program's underlying audit reports, books, and records as well as relevant persons connected with the Program."

6. In paragraph 3, the expression "central sector projects" shall be substituted by the term "Program."

C. Other Program Institutional and Implementation Arrangements

1. Without limitation on the generality of Part A of this Section I, the Recipient shall ensure that Maharashtra:

   (a) shall carry out the Program in accordance with the institutional and administrative arrangements set forth in the Program Agreement, the Program Manual and the Program Action Plan;

   (b) shall not, except as the Association shall otherwise agree in writing, amend or waive any of such arrangements if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the Program's implementation or the achievement of the objectives thereof; and

   (c) shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Program in accordance with the Program Manual and the Program Action Plan.

2. To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Financing available to Maharashtra in accordance with the Recipient's standard arrangements for developmental assistance to the States of India. The Recipient shall protect its own interests and the interests of the Association to accomplish the purpose of the Program.

Section II. Excluded Activities

The Recipient shall cause Maharashtra to ensure that the Program shall include no activities which:
A. In the opinion of the Association are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people;

B. involve procurement of: (1) works, estimated to cost $50 million equivalent or more per contract; (2) goods, estimated to cost $30 million equivalent or more per contract; (3) non-consulting services, estimated to cost $20 million equivalent or more per contract; or (4) consultants’ services, estimated to cost $15 million equivalent or more per contract; or

C. involve physical investments which, in the opinion of the Association, have high environmental risks, including: (1) schemes that involve construction or rehabilitation of dams which are greater or equal to ten (10) meters in height; (2) groundwater-based schemes in overexploited and critical watersheds that do not integrate source sustainability measures; and (3) schemes involving highly polluted surface water sources (as defined in the Program Manual).

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall cause Maharashtra to monitor and evaluate the performance of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Without limiting Section 4.08 of the General Conditions, the Program Reports shall cover the progress of Maharashtra’s implementation of the Program Action Plan. Each Program Report shall cover the period of six-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. Verification Process

The Recipient shall cause Maharashtra:

(a) to undertake a verification process, in accordance with terms of reference agreed with the Association, for the fulfillment of the Disbursement Linked Results set out in the table in paragraph A.2 of Section IV of this Schedule 2; and

(b) to furnish to the Association corresponding verification reports, in form and substance agreed with the Association.
C. Program Financial Audits

Without limitation on the generality of Section I.C of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall cause Maharashtra to have the 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. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

Section IV. Withdrawal of Financing Proceeds

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 may specify from time to time by notice to the Recipient to finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Program Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies the categories of withdrawal of the proceeds of the Financing ("Category"), the Disbursement Linked Indicators and Disbursement Linked Results for each Category, the timeline for achievement of the Disbursement Linked Indicators, and the allocation of the amounts of the Financing to each Disbursement Linked Result and each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Disbursement Linked Indicator (DLI)</th>
<th>Disbursement Linked Result (DLR)</th>
<th>Amount of Financing Allocated to each Disbursement Linked Result (amounts expressed in SDR)</th>
<th>Amount of the Financing Allocated to each Category (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Strengthened M &amp; E System for the sector</td>
<td>(a) WSSD has identified sector-wide M &amp; E needs and formulated an M &amp; E Plan for developing a Strengthened M &amp; E System, which can be implemented across Maharashtra. (b) WSSD has designed and tested the Strengthened M &amp; E System.</td>
<td>650,000 upon achievement of DLR 1(a); 9,750,000 upon achievement of DLR 1(b);</td>
<td>22,100,000</td>
</tr>
<tr>
<td></td>
<td>2. Strengthened capacity of Maharashtra’s Key Sector Institutions</td>
<td>In each Fiscal Year, WSSD achieves staffing levels in its Key Sector Institutions at an average level of up to 75% of Sanctioned Positions and trains and equips the staff in the Sanctioned Positions of these Key Sector Institutions as per its Annual Capacity Development Plan.</td>
<td>52,000 for each one percent (1%) of maintained Sanctioned Positions in WSSD’s Key Sector Institutions (up to a cap of 75%) and for training and equipping the staff in the Key Sector Institutions every Fiscal Year as per the Annual Capacity Development Plan.</td>
<td>23,400,000</td>
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<tr>
<td>3. Number of house connections to a Commissioned Water Supply System</td>
<td>Cumulative total of 68,095 house connections to a Commissioned Water Supply System</td>
<td>381 per house connection to a Commissioned Water Supply System.</td>
<td>26,000,000</td>
<td></td>
</tr>
<tr>
<td>4. Number of house connections to a Sustainable Water Supply System that receives a Regular Water Service</td>
<td>Cumulative total of 51071 house connections to a Sustainable Water Supply System that receives a Regular Water Service</td>
<td>317 per house connection to a Sustainable Water Supply System that receives a Regular Water Service</td>
<td>16,200,000</td>
<td></td>
</tr>
</tbody>
</table>

(c) WSSD has fully implemented the Strengthened M & E System in a total of at least ten Districts.

(d) WSSD has fully implemented the Strengthened M & E System in a total of at least twenty Districts.

(e) WSSD has fully implemented the Strengthened M & E System in a total of at least thirty Districts.

(f) WSSD has carried out a review of the implementation of the Strengthened M & E System and identified required changes and future needs.
5. | Number of Community Safe and Secure Water Systems | Cumulative total of 580 Community Safe and Secure Water Systems | 33,600 per Community Safe and Secure Water System | 19,500,000 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AMOUNT</td>
<td></td>
<td></td>
<td>107,200,000</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 purposes of Section 2.05 of the General Conditions:

(a) for payments for Program Expenditures made prior to January 1, 2014; and

(b) until and unless the Association is satisfied, based on evidence satisfactory to the Association, that the results set forth in the table above have been achieved.

2. The Recipient may withdraw: (i) an amount not to exceed the equivalent of SDR 12,000,000 as an advance under Categories (1), (2), (3), (4), and (5); provided, however, in each case, that if the DLRs for said Category(ies) in the opinion of the Association, are not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1 of this Section, if the Association is not satisfied that any of the DLRs under Category (2), (3), (4) or (5) has been achieved in accordance with the table above, the Association may, at any time, by notice to the Recipient, decide to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said category.

4. The Closing Date is March 31, 2020.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total
amount of Program Expenditures paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the Association or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.
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 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>Commencing September 1, 2019 to and including March 1, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing September 1, 2029 to and including March 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. “Annual Capacity Development Plan” means, for each year of Program implementation, Maharashtra’s annual, needs-based capacity development plan which is prepared in accordance with the requirements outlined in the Program Manual.


3. “Block” means a sub-district of Maharashtra or any successor(s) thereto.

4. “Block Resource Centres” means water supply and sanitation resource centres established by the Water Supply and Sanitation Department of Maharashtra and operating under the supervision of a Block Development Officer in every Block of Maharashtra, including any successor(s) thereto.

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

6. “Commissioned Water Supply System” means any water supply system in any of Maharashtra’s peri-urban Gram Panchayats (which Gram Panchayats are selected according to criteria set out in the Program Manual) that is certified to be physically completed by the responsible WSSD engineering officer.

7. “Community Safe-and-Secure Water System” means a new or rehabilitated water supply system for a single village in Maharashtra located in an area that is categorized as water-stressed or water quality-affected, in accordance with Maharashtra’s established criteria, which meets minimum standards and requirements as defined in the Program Manual.

8. “Disbursement Linked Result” or “DLR” means in respect of a given Category, each result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

9. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to that Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

10. “District” means any district of Maharashtra, or any successor(s) thereto.
11. "District Water and Sanitation Mission" means a dedicated water and sanitation mission established by the Water Supply and Sanitation Department of Maharashtra under its prevailing rules and regulations, and operating in every District.

12. "Fiscal Year" or "FY" means the Recipient's fiscal year which begins on April 1 each calendar year and ends on March 31 the next calendar year.

13. "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.


15. "Groundwater Surveys and Development Agency" means the government organization of this name established by Maharashtra, or any successor(s) thereto.

16. "Key Sector Institutions" means Maharashtra's Water Supply and Sanitation Organization, the District Water and Sanitation Mission, Block Resource Centres, or any successor(s) thereto.

17. "Maharashtra" means the Recipient's State of Maharashtra or any successor(s) thereto.

18. "Maharashtra Jeevan Pradhikaran" means the government organization of this name established by Maharashtra through the Maharashtra Water Supply and Sewerage Board Act 1976 (formerly known as the Maharashtra Water Supply and Sewerage Board) or any successor(s) thereto.


20. "M & E Plan" means Maharashtra's plan for developing a Strengthened M & E System, to be implemented across Maharashtra.

21. "Program Action Plan" means a set of key priority actions agreed by Maharashtra, for institutional strengthening; sector strengthening; fiduciary, environmental and social systems improvement; and referred to in Section 1.C. of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.

22. "Program Fiduciary and Environmental and Social Systems" means Maharashtra's systems for the Program referred to in Section I.A. of Schedule 2 to this Agreement.

24. “Program Manual” means Maharashtra’s document dated February 28, 2014, which sets forth guidelines, policies, procedures, program activities, and requirements for the implementation of the Program, including additional measures to strengthen Maharashtra’s procurement, financial management, anticorruption, environmental, management information, monitoring and evaluation, and social systems, as the same may be amended from time to time with the prior written agreement of the Association (in accordance with the provisions of Section I.C. of Schedule 2 to this Agreement), and such term includes any annexes or schedules to such manual.

25. “Regular Water Service” means water service of such quality, standard, and availability as defined in the Program Manual.

26. “Rural Water Supply Divisions” means Maharashtra’s rural water supply divisions constituted by the Water Supply and Sanitation Department of Maharashtra in every Zilla Parishad, under the overall supervision of the Chief Executive Officer of the Zilla Parishad, or any successor(s) thereto.

27. “Sanctioned Positions” means staff or consultant positions in the Key Sector Institutions, which have been notified in accordance with Maharashtra’s applicable rules and regulations.

28. “Strengthened M & E System” means Maharashtra’s improved and strengthened system for M & E with such modules and indicators as described in the Program Manual.

29. “Sustainable Water Supply System” means a water supply system that meets Maharashtra’s applicable guidelines and other criteria as set forth in the Program Manual.

30. “Water Supply and Sanitation Organization” means the government organization of this name established by the WSSD, or any successor(s) thereto.

31. “WSSD” and “Water Supply and Sanitation Department” means Maharashtra’s Water Supply and Sanitation Department or any successor(s) thereto.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set out below.

3. Section 2.02, Special Commitment by the Association, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal”, and the phrase “or to request the Association to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 2.04, Designated Accounts, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;”.

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), Financing Taxes, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association.”

8. Section 2.06 (originally numbered as Section 2.08), Reallocation, is modified to read: “Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such
category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.

9. Section 6.01, *Cancellation by the Recipient*, is modified to read: “The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance.”

10. Paragraph (d) of Section 6.03, *Cancellation by the Association*, entitled “Misprocurement” is deleted, and subsequent paragraphs are re-lettered accordingly.

11. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

12. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.