Financing Agreement

(Bihar Integrated Social Protection Strengthening Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 28, 2014
FINANCING AGREEMENT

AGREEMENT dated May 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 fifty four million seven hundred thousand Special Drawing Rights (SDR 54,700,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 June 15 and December 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 Dollars.

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 Recipient’s State of Bihar in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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

ARTICLE IV — TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is any of the following: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance.

5.02. The Recipient’s Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Facsimile:

91-11-23092039
5.03. The Association’s Address is:

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

Facsimile:
1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By Authorized Representative

Name: Nilaya Mitash
Title: Joint Secretary (m)

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Authorized Representative

Name: Michael Ilyen
Title: Operations Advisor
SCHEDULE 1

Project Description

The objective of the Project is to strengthen institutional capacity of the Department of Social Welfare and the Rural Development Department to deliver social protection programs and services and expand outreach of social care services for poor and vulnerable households, persons with disabilities, older persons and widows in the state of Bihar.

The Project consists of the following parts:

Part 1: Strengthening Social Protection Systems and Capacity

Provision of support to strengthen the capacity of BRDS and SSUPSW to implement and monitor social protection programs at the state level, including, *inter alia*, streamlining program delivery mechanisms and financial management systems, promoting an enabling policy environment, strengthening staff capacity and related performance incentives, and setting up monitoring and accountability mechanisms.

Part 2: Strengthening Outreach and Social Protection Service Delivery

Provision of state wide social care services through selected Buniyad Centers located in every territorial subdivision of Bihar as well as support to strengthen access and outreach of select social protection programs, including, *inter alia*, mobile therapy and outreach services and community-based service provision and support for small-scale pilots under an innovation window.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Bihar, in accordance with the Recipient’s standard arrangements for development assistance to the States of India.

2. The Recipient shall protect the interests of the Association to accomplish the purposes 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 and the GAAP.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and shall cause Bihar to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of six (6) months of Project implementation, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain, and shall cause Bihar to maintain, 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, and shall cause Bihar to, prepare and furnish to the Association, not later than forty five (45) days after the end of each quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, and shall cause Bihar 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 (1) financial year of the Recipient. 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 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:
**Procurement Method**

(a) Limited International Bidding

(b) National Competitive Bidding (subject to the additional provisions agreed upon from time to time between the Recipient and the Association and set forth in the Procurement Plan)

(c) Shopping

(d) Direct Contracting

(e) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association

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**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:

   **Procurement Method**

   (a) Quality-based Selection

   (b) Selection under a Fixed Budget

   (c) Least Cost Selection

   (d) Selection Based on Consultant's Qualifications

   (e) Single-source Selection of consulting firms

   (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

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**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) Goods, works, non-consulting services, consultants' services, training and operating costs for the Project</td>
<td>54,700,000</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>54,700,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this Section IV:

(a) the term “training” means non-consultant expenditures incurred in connection with the provision of training, including study tours and workshops, training institution fees, logistics, materials, and the cost of travel and per diem of trainers and trainees; and

(b) the term “operating costs” means incremental costs incurred by BRDS and SSUPSW for the purposes of carrying out the Project, including salaries and related allowances of individuals appointed under the Project and government staff deputed to positions specifically created for purposes of the Project, performance-based incentives under Part 1 of the Project for BRDS and SSUPSW staff, office rent and utilities, office and
equipment insurance, office and equipment maintenance and repair, vehicle operating and maintenance costs, communication, travel costs and other administrative costs directly associated with, and necessary under, the Project.

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 2,000,000 equivalent may be made for payments made prior to this date but on or after March 31, 2013, for Eligible Expenditures.

2. The Closing Date is March 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 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2019 to and including December 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing June 15, 2029 to and including December 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. “Bihar” means the Recipient’s State of Bihar, which is the Project Implementing Entity.

3. “BRDS” means Bihar Rural Development Society, established and registered under the Society Registration Act, 1860, as amended to date, and operating according to its memorandum of association and by-laws both dated June 3, 2010, and any successor or successors thereto.

4. “Buniyad Centers” means Bihar’s social care service centers to be established under the Project to provide care, support and rehabilitation services for older persons, widows and persons with disabilities.

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


8. “EMF” means Bihar’s environmental management framework, acceptable to the Association, disclosed on October 22, 2013, and set forth as an annex to the PIP (as hereinafter defined), governing all environmental aspects of Project implementation, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental impacts under the Project, as said framework may be updated from time to time by agreement between Bihar and the Association; and this term shall include any environmental management plans developed under the EMF.

9. “Financial Management Manuals” means the financial management manuals for the Project, acceptable to the Association, dated October 25, 2013 and adopted by BRDS and dated October 24, 2013 and adopted by SSUPSW (as hereinafter defined) and set forth as annexes to the PIP (as hereinafter defined), which manuals provides for the financial management obligations under the Project, as
such manuals may be amended from time to time by Agreement between Bihar and the Association.

10. "GAAP" means the Recipient's Governance and Accountability Action Plan, dated November 12, 2013 acceptable to the Association, which identifies key governance issues under the Project and sets forth mitigation measures to address said issues, as said Plan may be amended from time to time by agreement between the Association and the Recipient.

11. "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.

12. "Key Performance Indicators" means the indicators for monitoring and evaluating progress towards the attainment of Project objectives set forth in the PIP.

13. "PIP" means the Project Implementation Plans prepared by BRDS and SSUPSW (as hereinafter defined including all annexes thereto, acceptable to the Association, dated October 25, 2013 and October 24, 2013), respectively, which describes the detailed Project implementation and institutional arrangements, and is comprised of, among others, the EMF, the Financial Management Manual, the GAAP, the Key Performance Indicators, the Procurement Manual (as hereinafter defined) and the SMF (as hereinafter defined), as such plan may be amended from time to time by agreement between Bihar and the Association.


15. "Procurement Manual" means the procurement manual for the Project, acceptable to the Association, dated November 6, 2013 and adopted by BRDS and by SSUPSW (as hereinafter defined), and set forth as annexes to the PIP, which manual sets out the procurement management and institutional arrangements and obligations under the Project, as such manual may be amended from time to time by agreement between Bihar and the Association.

16. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 21, 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.

17. "Rural Development Department" means Bihar's Rural Development Department, or any successor thereto.
18. "SMF" means Bihar's Social Management Framework, acceptable to the Association, disclosed on October 21, 2013, and set forth as an annex to the PIP governing all social and environmental aspects of Project implementation, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse social impacts under the Project, together with guidelines for the carrying out of consultations with potentially affected tribal communities and procedures for the preparation of tribal development plans as said framework may be updated from time to time by agreement between Bihar and the Association; and this term shall include any social mitigation and/or resettlement plans, and tribal development plans developed under the SMF.

19. "SPMU" means the specialized Project management units referred to in Section I.A.1 (c) of the Schedule to the Project Agreement, to be maintained within BRDS and SSUPSW for the purposes of providing, until completion of the Project, planning, coordination and monitoring support.

20. "SSUPSW" means Bihar's State Society for Ultra Poor and Social Welfare, established and registered under the Society Registration Act, 1860, as amended to date, and operating according to its memorandum of association and by-laws both dated October 14, 2008, and any successor or successors thereto.

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).