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CREDIT NUMBER 4848-IN
CREDIT NUMBER 4849-IN

Financing Agreement

(PMGSY Rural Roads Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 14, 2011

CREDIT NUMBER 4848-IN
CREDIT NUMBER 4849-IN

FINANCING AGREEMENT

AGREEMENT dated January 14, 2011, entered into between INDIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) the Recipient has an ongoing nationwide rural roads program, called *Pradhan Mantri Gram Sadak Yojana* (“Program”), whose objective is to promote rural connectivity and provide all-weather access to eligible habitations, and declared its commitment to the execution of the Program.

(B) the Recipient has also requested the International Bank for Reconstruction and Development (“Bank”) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (“Loan Agreement”), the Bank has agreed to provide such assistance in an amount equivalent to five hundred million Dollars (\$500,000,000) (“Loan”).

NOW THEREFORE 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.

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 to assist in the financing of the project, described in Schedule 1 to this Agreement, divided into two portions as follows:
 - (a) an amount equivalent to two hundred forty one million four hundred thousand Special Drawing Rights (SDR 241,400,000) (“Credit A”); and
 - (b) an amount equivalent to three hundred ninety four million nine hundred thousand Special Drawing Rights (SDR 394,900,000) (“Credit B”).

(Credit A and Credit B are hereinafter, collectively, referred to as the “Financing”).

- 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 Financing Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Recipient shall pay the Association interest on the amount of Credit A withdrawn and outstanding from time to time at a rate equal to three and one fifth of one percent (3.20%) per annum. Such interest shall accrue from the respective dates on which the amounts of Credit A are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Such interest shall be computed on the basis of a 360-day year of twelve 30-day months.
- 2.06. The Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Financing shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient through NRRDA shall: (a) carry out its Respective Parts of the Project; (b) cause the Participating States, through SRRDA, to carry out their Respective Parts of the Project, all in accordance with the provisions of Article IV of the General Conditions.
- 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following, namely, that:
 - (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

- (b) any of the provisions of any Letter of Undertaking shall have been amended, waived or abrogated so as to adversely affect the implementation of the Project or the achievement of the objective thereof; and
- (c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that any party to the Letter of Undertaking will be able to perform its respective obligations under the relevant Letter of Undertaking.

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. The Recipient'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 Recipient's Address is:

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

Facsimile:

91-11-2309 2039

- 6.03. 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 /s/ Venu Rajamony
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zaghera
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the strengthening of the systems and processes of the Program for the expansion and maintenance of all-season rural access roads, resulting in enhanced road connectivity, and better economic opportunities and social services for beneficiary communities in the Participating States.

The Project consists of the following parts:

Part A: Rural Roads Connectivity

Supporting the implementation of the Eligible Expenditure Program, including:

1. providing new all weather access roads to unconnected habitations, including bridges and necessary cross drainage works as per Program guidelines in the Participating States; and
2. upgrading existing access roads to all weather standards and key through routes or major link routes in rural areas in the Participating States, as per Program guidelines.

Part B: Institutional Strengthening

Strengthening the capacity of NRRDA and the relevant agencies in the Participating States in carrying out the Project and supporting road sector-wide reform as well, including, but not limited to, the following:

1. supporting relevant research; and improving Project documents, maintenance management systems, monitoring and evaluation systems, technical designs, planning techniques, and Project coordination and reporting;
2. supporting independent verification of performance and financial audits, and supporting citizen monitoring and grievance redress;
3. providing Project management and implementation support;
4. providing machinery equipment, office and IT facilities, as necessary; and
5. providing skill training to staff in the relevant agencies to support a long-term capacity building program.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

Institutional and Implementation Arrangements at the Central Level

1. The Recipient shall, through MORD, provide the oversight and coordination, and approve requests for specific Project activities under the Project; and, through NRRDA, manage and monitor the day-to-day Project implementation and provide overall strategic technical guidance to the Participating States.
2. The Recipient shall cause the Participating State to report, at all times throughout Project implementation, through the receipts and payment module of the On-line Monitoring Management and Accounting System (OMMAS), its own civil work expenditures incurred during the course of the preceding six (6) months under the Eligible Expenditure Program.
3. The Recipient, through NRRDA, shall, not later than six (6) months after the Effective Date, employ an independent performance auditor, under terms of reference and with qualifications and experience acceptable to the Association, to carry out performance audits on a bi-annual basis for purposes of Part A of the Project. Said independent performance auditor shall certify the status of meeting the conditions of disbursement set out in paragraph B.1(b) of Section IV of this Schedule. The Recipient, through NRRDA, shall furnish copies of the audit reports, including appropriate certifications, prepared by said independent performance auditor to the Association on or before June 1 and December 1 in each year, until completion of the Project. Said certifications shall serve as a basis to determine the amount of funds eligible for withdrawal under the Project based on the independent performance auditor's assessment of the extent to which the conditions of disbursement set forth in paragraph B.1(b) of Section IV of this Schedule have been met.

Anti-Corruption

4. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

Implementation Arrangements with Participating States and SRRDA

5. The Recipient, through NRRDA, shall cause each Participating State and SRRDA to execute and furnish to NRRDA a Letter of Undertaking, acceptable in substance to the Association, which shall provide, inter alia, that:

- (a) The Participating State and SRRDA declare their commitment to the objective of the Project. To this end, the Participating State and SRRDA shall carry out its Respective Parts of the Project in accordance with the provisions of Article IV of the General Conditions and the provisions of Article V of the International Bank for Reconstruction and Development General Conditions, and shall provide, promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.
- (b) The Participating State and SRRDA shall carry out its Respective Parts of the Project through SRRDA and its Program Implementation Units which shall be staffed with qualified personnel, in adequate numbers, to be responsible for the day-to-day implementation of the Project in the Participating State.
- (c) The Participating State and SRRDA shall carry out its Respective Parts of the Project in accordance with the Environmental and Social Management Framework, the Environmental Codes of Practice, the Social Management Framework and the Vulnerability Framework.
- (d) The Participating State and SRRDA shall carry out its Respective Parts of the Project in accordance with the Operations Manual (including any supplement thereto agreed with the Association). If there are any inconsistencies between the provisions of the Operations Manual (including those of a supplement thereto) and those of this Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.
- (e) The Participating State and SRRDA shall ensure that its Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.
- (f) The Participating State and SRRDA shall ensure that all goods, works and services required for the Participating State's and SRRDA's Respective Parts of the Project shall be procured in accordance with the provisions of Section III of Schedule 2 to this Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient through MORD shall monitor and evaluate the progress of the Project and through NRRDA, prepare Project Reports for its Respective Parts of the Project and shall consolidate Project Reports prepared by the Participating States for their Respective Parts of the Project, all in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the

indicators agreed with the Association. Each Project Report shall cover the period of one (1) semester, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient through NRRDA shall, and shall cause the SRRDA 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, through NRRDA shall, and shall cause SRRDA to prepare for their Respective Parts of the Project and through NRRDA furnish to the Association as part of the Project Report not later than sixty (60) days after the end of each calendar semester, consolidated interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
3. The Recipient through NRRDA shall, and shall cause SRRDA to have their Financial Statements audited, all 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) fiscal year of the Recipient and SRRDA. 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 and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding (NCB) (subject to the additional provisions agreed upon from time to time between the Recipient and the Association and referred to in the Procurement Plan). The two part bidding process for civil works based on NCB may be used in the Participating States subject to the following conditions: (i) the civil works contracts shall be procured based on bids submitted through standardized e-procurement system agreed to between the Recipient and the Association; (ii) the first part shall comprise predominantly the eligibility and qualification requirements of bidders, and the second one shall comprise technical-financial part of the bid; and (iii) only the model bidding document agreed to between the Recipient and the Association shall be used.
(b) Shopping
(c) Direct Contracting

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

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
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole-Source 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 and the Loan ("Category"), the allocations of the amounts of the Financing and the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Loan Allocated (expressed in Dollars)	Amount of Credit A Allocated (expressed in SDR)	Amount of Credit B Allocated (expressed in SDR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Civil works under Part A of the Project	498,750,000	241,400,000	356,700,000	50% up to \$720 million equivalent under DLI1 as set out in Schedule 4 to this Agreement; 20% up to \$288 million equivalent under DLI2 as set out in Schedule 4 to this Agreement; and 30% up to \$432 million under DLI3 as set out in Schedule 4 to this Agreement
(2) Goods, consultants services, training, workshops, and study tours under Part B of the Project	-0-	-0-	38,200,000	100%
(3) Front-end Fee	1,250,000	-0-	-0-	Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07(b) of the International Bank for Reconstruction and Development General Conditions
(4) Premia for Interest Rate Cap and Interest Rate Collar	-0-	-NA-	-NA-	Amount payable pursuant to Section 2.07(c) of the Loan Agreement in accordance with Section 4.05 of the International Bank for Reconstruction and Development General Conditions
TOTAL AMOUNT	500,000,000	241,400,000	394,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made under Category (2), prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$10,000,000 equivalent may be made for payments made prior to this date but on or after February 1, 2010, for Eligible Expenditures; or
 - (b) for payments made under Category (1) unless: for each withdrawal application under a scheduled disbursement as set out in the additional instructions referred to in Section IV.A.1 of this Schedule (Additional Instructions) (Scheduled Disbursement), the Association has received reports, including appropriate certifications, in form and content acceptable to the Association, from the independent performance auditors, referred to in paragraph 3 of Section I of this Schedule, certifying as to the extent to which: (i) the corresponding Disbursement-linked Indicators have been met; (ii) expenditures eligible for reimbursement under a Scheduled Disbursement have been incurred in compliance with the safeguards and procurement arrangements provided for in this Agreement and under the Operations Manual; (iii) roads have been constructed in accordance with the relevant civil work contracts; (iv) the eligibility criteria set forth in paragraph 2 of Section I of this Schedule have been met; and (v) the Additional Instructions have been adhered to by both the Recipient and the Participating States.
2. Notwithstanding the forgoing:
 - (a) if the Association shall determine, based on the evidence referred to in paragraph B.1(b) above, that (i) the DLIs have only been partially met, the amount of the Financing eligible to be made available to the Project shall be reduced by an amount calculated in accordance with a formula, agreed between the Recipient and the Association and provided for under the Additional Instructions; or (ii) there has been no achievement of DLIs, the amount of the Financing available for withdrawal under a Scheduled Disbursement shall be carried forward to the subsequent Scheduled Disbursement. Such amount may be disbursed only if the DLIs, which were not previously achieved shall subsequently be achieved; and
 - (b) the Association, after consultation with, and by notice to, the Recipient may cancel any amount of the Financing, in whole or in part, withheld pursuant to paragraph B.2(a) above, or reallocate such amount so withheld, in whole or in part, to Category (2).
3. The Closing Date is November 30, 2015.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of Credit A repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing June 15, 2021 to and including December 15, 2030	1.25%
commencing June 15, 2031 to and including December 15, 2045	2.5%

Date Payment Due	Principal Amount of Credit B repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing June 15, 2021 to and including December 15, 2030	1.25%
commencing June 15, 2031 to and including December 15, 2045	2.5%

* 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.

SCHEDULE 4

Disbursement Linked Indicators

Results Indicators*	Unit of Measure	Baseline	Target Values**					Protocol
			FY 11	FY 12	FY 13	FY14	FY 15	
DLI-1: Extent of habitation connectivity achieved.	Number of habitations connected: Annual: Cumulative:	Cumulative: 26300 (60%)	1300 27600 (64%)	1800 29400 (68%)	4200 33600 (77%)	4100 37700 (87%)	1800 39500 (91%)	Habitation connected is defined as a habitation connected by a road constructed to all weather standards, including bridges and necessary cross drainage works. Habitation is considered connected when (i) physical completion certificate for the road is signed by SRRD and (ii) photographs of the key features of the road (especially start/end points) are entered in the OMMAS.
DLI-2: Effectiveness of public expenditures ensured through cost-effective and socially and environmentally responsible planning and	1. Improved planning procedures successfully introduced and implemented	The planning process largely focuses on engineering and does not adequately address economic, social and environmental concerns.	NRRDA issues revised program wide* guidance on DPR preparation through a formal PMGSY circular per	NRRDA issues a revised program wide OM through a formal PMGSY circular per agreed format.	Any four States base planning decisions on a web-based GIS utilizing (i) current attribute data in OMMAS and (ii) agreed spatial	NRRDA/ MoRD issues revised book of specifications for rural roads (“the red book”) based on (i) national/ international	At least 80% of all works completely fulfill the revised DPR checklist requirements, in all participating States.	NRRDA’s improved planning systems--, including a revised DPR template, OM, GIS based planning, and revised technical standards-- for adoption and use by the states. The revised DPR contains a checklist elements required to improve overall planning

* Boxes that are shaded in grey relate to activities that will support program wide systems improvements as well as systems in the participating states. Some of these activities relate to the revision of key guidelines such as the OM and PCMM that are also a requirement for the start of the Bank supported project. Where these activities appear in later years it is to give NRRDA sufficient time to fully consult all states and other stakeholder on the contents of these guidelines.

Results Indicators*	Unit of Measure	Baseline	Target Values**					Protocol
			FY 11	FY 12	FY 13	FY14	FY 15	
implementation of PMGSY			agreed DPR format.		data sets in the GIS database, including an inventory of all road classes and sensitive natural habitats.	best practice and (ii) results from field trials.		especially in the areas of engineering designs, safety audits, cost estimation, least cost life-cycle analysis, and social and environment analysis
	2. Improved capacity to implement effective procurement	Outcomes from procurement vary but typically competition is limited, time to contract award is long and rebidding frequent	NRRDA issues a program wide Procurement and Contract Management Manual through a formal PMGSY circular and provides training in its use to all Participating States.	States implement contractor outreach programs, which will include, inter alia, bidder conferences, contractor training, and formalization of complaint handling and resolution mechanisms	70% of contracts in each participating State should have been awarded, within 45 days (excluding the cases where no bids are received or all bids are non-responsive) from bid submission, in compliance with bidding documents and in line with procedures set out in PCMM.	80% of contracts in each participating State should have been awarded, within 45 days (excluding the cases where no bids are received or all bids are non-responsive) from bid submission, in compliance with bidding documents and in line with procedures set out in PCMM.	90% of contracts in each participating State should have been awarded, within 45 days (excluding the cases where no bids are received or all bids are non-responsive) from bid submission, in compliance with bidding documents and in line with procedures set out in PCMM.	The program aims to strengthen state-level procurement systems through introduction of e-procurement, a procurement and contract management manual, contractor outreach and capacity building of implementing agencies. It is expected that these initiatives will increase participation in tendering, increase transparency, reduce time to award contracts and reduce the amount of rebidding.

Results Indicators*	Unit of Measure	Baseline	Target Values**					Protocol
			FY 11	FY 12	FY 13	FY14	FY 15	
	3. Improved Quality of Built Infrastructure	The 3 tier quality control system not fully implemented in all states with the percentage of completed works rated as satisfactory ranging from 63% to 99%	Participating States publicly disclose SQM summary reports with photos on PMGSY web site	Participating States appoint dedicated and fully functional PMGSY chief Technical Officer/ State Quality Coordinator and fully implement 1st and 2nd tier quality control system	Any three participating States Citizen monitoring programs in place on a pilot basis	90% of all works rated as satisfactory by NQM	95% of all works rated as satisfactory by NQM	Implementation of the activities planned for the first three years are expected to contribute to improvement of overall quality of works. The program will implement stronger quality control guidelines and better enforce the current 3 tier quality control system.
	4. Effective use of OMMAS as MIS for decision making	Comprehensive OMMAS in place but data has gaps and is outdated. Outputs are not readily useable particularly at district level.	Review of OMMAS is completed by May 2011 report is issued and follow-up actions on recommendations implemented by each participating State.	NRRDA issues formats of management reports at national, state and district level through a formal circular. State/district level format are formally adopted by the states.	Participating States generate OMMAS management reports in the agreed output formats based on at most one month old data.	Participating States generate OMMAS management reports in the agreed output formats based on at most one month old data.	Participating States generate OMMAS management reports in the agreed output formats based on at most one month old data.	The program is improving the reliability and timeliness of information in OMMAS to support effective decision making, public information and monitoring of program outcomes. Each state would produce periodic progress reports covering main performance areas including safeguard monitoring for compliance and disaggregated data on vulnerability and gender.

Results Indicators*	Unit of Measure	Baseline	Target Values**					Protocol
			FY 11	FY 12	FY 13	FY14	FY 15	
DLI-3: Effective execution of maintenance works	Percentage of improved PMGSY network under active routine and periodic maintenance contracts	Level of maintained network varies from 0% to 100%	Participating States implement the tracking mechanism established by NRRDA to monitor receipt and expenditure of FC maintenance grants	Participating States to have a current road condition inventory in place and has issued a road maintenance policy, including detailed guidelines for maintenance management.	Participating States have provided adequate funds for maintenance in their budgets in line with circular issued by MORD.	As identified in the maintenance management system of all the participating states: a) 60% of the maintainable core rural roads network is under formal routine maintenance arrangement; and b) 60% of the identified network for periodic maintenance under signed contract.	As identified in the maintenance management system of all the participating states: a) 75% of the maintainable core rural roads network is under formal routine maintenance arrangement; and b) 70% of the identified network for periodic maintenance under signed contract.	The project will help establish management systems to ensure that FC funds are well spent and accounted for and that the PMGSY circular on maintenance funding is implemented. The project will support a gradual increase in the level of active routine and periodic maintenance of the rural roads network.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “Disbursement-Linked Indicators” and “DLIs” mean, collectively, the indicators set out in Schedule 4 to this Agreement.
5. “Eligible Expenditures Program” or “EEP” means, collectively, the defined expenditures for civil works incurred by Participating States under Part A of the Project, financed through the Recipient’s associated budget line.
6. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework, acceptable to the Association, dated November 16, 2010, setting forth a framework of social and environmental actions, measures and policies applicable to the Project, and designed to maximize the benefits thereunder, avoid or mitigate any adverse impacts and, in the case of Project affected persons, if such adverse impacts cannot be avoided altogether, provide Project affected persons with alternative opportunities to enhance or restore their livelihoods.
7. “Environmental Code of Practice” means the environmental code of practice, developed by the Recipient and acceptable to the Association, whose objective is to provide guidance to Participating States to avoid, minimize and mitigate environmental impacts of specific Project activities during Project implementation.
8. “Fiscal Year” or “FY” means the Recipient’s fiscal year beginning on April 1 of a calendar year and ending on March 31 of the following calendar year.
9. “GAAP” means the governance and accountability action plan, dated November 23, 2010, which sets out the actions to be undertaken by the Recipient and the Participating States to strengthen governance, transparency, and

accountability under the Project; as such plan may be amended from time to time by agreement between the Recipient and the Association.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
11. “Letter of Undertaking” means the letter referred to in paragraph 5 of Section I of Schedule 2 to this Agreement; and “Letters of Undertaking” means, collectively, the plural thereof.
12. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time; and the term “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
13. “MORD” means the Recipient’s Ministry of Rural Development, and any successor thereto.
14. “NRRDA” means the Recipient’s National Rural Road Development Agency, and any successor thereto.
15. “Operations Manual” means the Operations Manual for the Program, of February 2005, as revised to the date of this Agreement to include detailed guidelines and procedures for the implementation, supervision and monitoring of the Project, as the same may be amended from time to time by agreement of the Recipient and the Association; and the term “Operations Manual” shall include a supplemental manual for the selection of external auditors.
16. “Participating States” means, collectively, the States of Jharkhand, Himachal Pradesh, Rajasthan, Meghalaya, Uttarakhand, Uttar Pradesh and Punjab, and any other States of the Recipient, which, at a later date, may be selected to participate in the Project by agreement between the Recipient and the Association, and their successors thereto, and the term “Participating State” means, individually, any of such Participating States.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 23, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

19. “Program Implementation Unit” or “PIU” means the implementing unit of SRRDA, operating in a district within a Participating State.
20. “Respective Parts of the Project” means in the case of the Recipient, Parts B.1, B.2, B.5 of the Project, and in the case of Participating States, Parts A, B.2, B.3, B.4, B.5 of the Project.
21. “Social Management Framework” means the framework dated November 16, 2010, acceptable to the Association, whose objective is to address all social dimensions of the Project, including any potential land acquisition, resettlement, and rehabilitation of Project affected persons, management of all grievances generated by the Project, and procedures for stakeholder participation, as the same may be amended from time to time by agreement between the Recipient and the Association.
22. “SRRDA” means the State-level Rural Road Development Agency.
23. “Vulnerability Framework” means the framework, dated November 16, 2010, acceptable to the Association, whose objective is to address issues related to vulnerable populations associated with gender, caste, tribal and other identities as designated under the Project, as the same may be amended from time to time by agreement between the Recipient and the Association.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-

financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”