Mr. Sameer Kumar Khare  
Joint Secretary (MI)  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
North Block  
New Delhi - 110001

Dear Mr. Khare:

INDIA: Advance Agreement for Preparation of  
Proposed Second Himachal Pradesh State Roads Project  
Preparation Advance No. P4900-IN

In response to the request for financial assistance made on behalf of India ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed three million Dollars ($3,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to transform the core state highway network management and financing, as well as improving service level, safeguards, safety and engineering standards ("Project"), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Junaid Kamal Ahmad
Country Director, India

AGREED:
INDIA

By:  
Authorized Representative

Name:  Sameer Kumar Khare
Title:  Joint Secretary (MID)
Date:  29th December, 2017

Enclosures:

(1)  “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010; and

(2)  Disbursement Letter for the Advance of the same date as this Agreement, together with “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
Cc/bcc: team to complete
1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility” dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement as follows:

(a) “Himachal Pradesh” means the Recipient’s State of Himachal Pradesh or any successor thereto.

(b) “HPRIDC” means the Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, a wholly owned company of Himachal Pradesh incorporated on June 10, 1999 under the Companies Act, 1956, with the main objective of developing roads, bridges and other infrastructure in Himachal Pradesh.

(c) “HPSRP” means the Himachal Pradesh State Roads Project financed under a Loan Agreement dated August 7, 2007 between India and the International Bank for Reconstruction and Development (Loan No.4860-IN), and an additional financing under Loan Agreement dated January 21, 2013 between India and the International Bank for Reconstruction and Development (Loan No.8199-IN).

(d) “Operating Costs” means the reasonable costs of incremental expenditures incurred by HPRIDC on account of implementation of the Activities, which expenditures would not have been incurred absent the Activities, including, *inter alia*: office space rental and utilities, office maintenance and repair, office consumables, vehicles rental, operation and maintenance; communications, printing and/or publication expenses; staff per diems, field allowances; travel expenses; bank charges; and insurance premia; but excluding salaries and salary supplements of civil servants.

(e) “Training and Workshops” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient and, subject to the World Bank’s prior approval, overseas, including training institutions and course fees, logistics expenses, rental of training facilities, purchase and publication of training materials, and travel and subsistence allowance for trainers and/or trainees.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

(a) Provision of technical and operational assistance to: (i) establish and maintain a Project Implementation Unit (PIU) for planning, execution, financial management, procurement, environmental and social safeguards management, and monitoring and evaluation of the Activities; and (ii) strengthen the institutional capacity of the PIU for Project preparation and implementation.

(b) Provision of technical assistance for a detailed feasibility and detailed design including social, environmental and road agency safeguards for upgradation and maintenance works of core roads network of Himachal Pradesh, including preparation of a Project procurement strategy for development, and an assessment of preparation of safeguard instruments.

2.02. **Execution of the Activities Generally.** (a) The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through Himachal Pradesh in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) this Article II; and (iii) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

(b) To this end, Himachal Pradesh shall vest the overall responsibility for the implementation of Activities in HPRIDC.

2.03. **Institutional and Other Arrangements.** Without limitation upon the provision of Section 2.02 above and in order to ensure proper implementation of the Activities and the Project in an environmentally and socially responsible manner, ensure that the terms of reference for any consultancies related to any studies, technical assistance and capacity building activities under this Agreement shall be satisfactory to the World Bank following its review thereof, and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank’s Safeguard Policies, as applied to any consultations, information gathering and advice conveyed through such studies, technical assistance and capacity building activities.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions, and consistent with those followed under the HPSRP.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Financial Statements audited in accordance with the provisions of Sections 2.09(b) of the Standard Conditions. Each such audit of the Financial
Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than nine (9) months after the end of such period.

2.06. **Procurement**

All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 (“Procurement Regulations”) and the provisions of the Recipient’s procurement plan for the Activities dated November 22, 2017 (“Procurement Plan”) provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

**Article III**

**Withdrawal of the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, non-consulting services, consulting services, Training and Workshops, and Operating Costs, inclusive of Taxes.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is July 21, 2019.

**Article IV**

**Terms of the Advance**

4.01. **Interest.** The Recipient shall pay interest on the Withdrawn Advance Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum. Interest shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. The Interest Period Determination Dates are January 1 and July 1 in each year.

4.02. **Repayment.** The Withdrawn Advance Balance, together with interest accrued thereon shall be repaid by the Recipient to the World Bank in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with interest accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent
to the Withdrawn Advance Balance plus such interest, in accordance with the provisions of the Refinancing Agreement.

(b) Repayment in the absence of a Refinancing Agreement: If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by this date, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed US$50,000, it shall be repaid by the Recipient to the World Bank (together with interest accrued on the Withdrawn Advance Balance to the date of repayment), on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds US$50,000, it (together with interest accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay interest on the Aggregate Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread, payable in arrears on each Payment Date. Notwithstanding the foregoing, if any amount of the Aggregate Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the Recipient shall pay the Default Interest Rate on such overdue amount in lieu of the interest rate specified above in this subparagraph (ii) until such overdue amount is fully paid. Interest at the Default Interest Rate shall accrue from the first day of each Default Interest Period and shall be payable semi-annually in arrears on each Payment Date.

Article V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is following officials, acting severally: Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Recipient’s Ministry of Finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Department of Economic Affairs
Ministry of Finance
Government of India
North Block
New Delhi 100 001
India

Facsimile:
91-11-23092039
5.03. World Bank's Address. The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (1)-202-477-6391