

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4802-IN

Financing Agreement

(Bihar - Kosi Flood Recovery Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 12, 2011



CREDIT NUMBER 4802-IN

FINANCING AGREEMENT

AGREEMENT dated January 12, 2011, 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 one hundred forty eight million eight hundred thousand Special Drawing Rights (SDR 148,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that any change shall have been made in the Memorandum and Articles of Association of the BAPEPS or BRLPS, so as to materially and adversely affect the ability of BAPEPS or BRLPS to perform any of its obligations under the Project Agreement.

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:

91-11-23092039

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 Patna, India, as of the day and year first above written.

INDIA

By /s/ Venu Rajamony
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zagha
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the flood recovery, as well as future-oriented risk reduction efforts, of the Government of Bihar through: (i) the reconstruction of damaged houses and road infrastructure; (ii) the strengthening of the flood management capacity in the Kosi basin; (iii) the enhancement of livelihood opportunities of the affected people; and (iv) the improvement of the emergency response capacity for future disasters.

The Project consists of the following parts:

Part A: Owner Driven Housing Reconstruction

Carrying out an owner-driven housing reconstruction program covering about 100,000 damaged houses.

Part B: Reconstruction of Roads and Bridges

Reconstruction of damaged roads and bridges, including the construction of about 90 bridges and culverts on the state highway and major district roads, and rehabilitation of about 290 km of rural roads.

Part C: Strengthening Flood Management Capacity

1. Strengthening the overall flood forecasting, and flood and erosion management capacity in the Kosi basin in Bihar through a range of activities including: (a) carrying out a series of technical studies, mathematical and physical modeling, geotechnical and other investigations, and setting up a center of excellence for water resources, flood management research and development; (b) establishment of an embankment asset management system; (c) development of a flood management master plan; (d) a set of studies and models to enhance the flood forecasting and early warning capacity; and (e) strengthening of eight (8) kilometers of Kosi western embankment, and piloting river training, erosion and sediment control, and strengthening of sections of embankments using more adaptable and suitable materials and construction techniques.
2. Strengthening flood forecasting system, including: (a) preparation of a digital elevation model using light detection and ranging technology for the Kosi River Basin to enable preparation of hazard and risk maps and assessments; (b) setting up of a flood forecasting and early warning system, and an automatic hydro-meteorological monitoring system; (c) development of rainfall-runoff and flood routing models; (d) development of a flood risk forecasting system and the

related institutional development for its operation; and (e) development of flood warning and emergency management capacity.

Part D: Livelihood Restoration and Enhancement

Restoring and expanding the livelihood opportunities of affected population through: (i) the management of a community institution development, including provision of training, exposure visits and technical advisory services in management; (ii) the management of a community investment fund, including provision of funds to Beneficiaries for carrying out income generation and skills development activities, and food security and health related interventions; (iii) the management of a technical assistance fund, including provision of technical advisory services to partners in agriculture, livestock, and non-farm sectors; and (iv) the provision of management assistance to the district units.

Part E: Improving Emergency Response Capacity

Provision of contingency funds for works, services and goods required to respond in case of future calamities, and the financing of public and private sector expenditures directly related to the emergency recovery program.

Part F: Project Management and Technical Assistance

Strengthening Project management through the provision of technical assistance and advisory services, training, exposure visits to the BAPEPS staff, together with the provision of office equipment and associated operating cost of Project management teams at all levels.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional and Other Arrangements**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity in accordance with the Recipient's standard arrangements for developmental assistance to the State of India.
2. The Recipient shall protect the interests of the Recipient and the Association to accomplish the purposes of the Financing.
3. The Recipient shall ensure that the Project is carried out in accordance with the OM, including the requirements set forth in the ESMF, GAAP, FM Manual, and Procurement Manual, and in accordance with the provisions of the Anti-Corruption Guidelines, and shall ensure that the OM, FM Manual, and Procurement Manual are not materially revised, amended, waived, or abrogated without prior mutual consent of the Recipient and the Association. If any provision of this Agreement is inconsistent with a provision of the OM, FM Manual or Procurement Manual, the provision of this Agreement shall prevail.

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.

C. Safeguards

1. The Recipient shall cause the Project Implementing Entity to apply and implement, or cause to be applied and implemented, the ESMF in a manner and substance mutually satisfactory to the Recipient and the Association.
2. The Recipient shall not amend, suspend or waive the ESMF, or any provision thereof, without the prior mutual agreement between the Recipient and the Association.
3. The Recipient shall cause the Project Implementing Entity to carry out the EMP and the RAP in accordance with the provision of the ESMF and the OM.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports 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 one (1) month after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained 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 cause to prepare and furnish to the Association, not later than forty-five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall 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) fiscal year of the Recipient. The audited Financial Statements for each such period shall be: (a) furnished to the Association not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of the Schedule to the Project Agreement.

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:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Grants to Beneficiaries under Part A of the Project	38,500,000	80%
(2) Goods, works, services, technical assistance, training and Operating Costs under Parts A, B, C and F of the Project	76,500,000	85%
(3) Goods, works, services, technical assistance, training, Grants and Operating Costs under Part D of the Project	20,300,000	85%
(4) Goods, works and services under Part E of the Project	13,500,000	100%
TOTAL	148,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$40,000,000 equivalent may be made for payments made prior to this date, but on or after January 1, 2010, for Eligible Expenditures under Categories (1), and (2), and July 1, 2010, for Eligible Expenditures under Category (3); and
- (b) under Category (4), unless the Recipient has confirmed that the Recipient or the Project Implementing Entity has formally declared “Calamity” in whole or part of Bihar.

2. The Closing Date is September 14, 2014.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing January 15, 2021 to and including July 15, 2030	1.25%
commencing January 15, 2031 to and including July 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.

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 III of this Appendix.
2. “Beneficiary” means: (i) a household which is a recipient of a housing reconstruction Grant under Part A of the Project; or (ii) an eligible CBO (as hereinafter defined) which is a recipient of a Grant under Part D of the Project (as hereinafter defined).
3. “Beneficiary Agreement” means any memorandum of understanding to be entered into between the BRLPS (as hereinafter defined) and a Beneficiary, to carry out Part D of the Project, which shall include the terms and conditions set forth in the OM (as hereinafter defined), as these may be amended from time to time, and such term includes any schedule to the Beneficiary Agreement.
4. “BAPEPS” means the Bihar Aapada Punarwas Evam Punarnirman Society, a Society, established and registered under the Recipient’s Societies Registration Act, 1860, as amended to date, and operating according to its Memorandum and Articles of Association and Bylaws, or any successor thereto.
5. “Bihar” means the State of Bihar.
6. “BRLPS” means the Bihar Rural Livelihoods Promotion Society, established and registered under the Recipient’s Society Registration Act, 1860, as amended to date, and operating according to its Memorandum and Articles of Association and Bylaws or any successor thereto.
7. “BRRDA” means Bihar Rural Roads Development Agency, or any successor thereto.
8. “BRPNN” means Bihar Rajya Pul Nirman Nigam, or any successor thereto.
9. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
10. “CBO” means a community-based organization operating under the laws of the Recipient and involved in the carrying out of Part D(ii) of the Project.

11. “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.
12. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; and “Displaced Persons” means, collectively, more than one Displaced Person.
13. “EMPs” means, collectively, the environmental management plan or plans, prepared by the Project Implementing Entity in accordance with the ESMF.
14. “Environmental and Social Management Framework” or the acronym “ESMF” means the Framework dated July 26, 2010, and incorporated into the OM (as defined hereinafter), which sets out the principles and procedures for carrying out environmental and social assessments, and preparing and implementing environmental and social management plans in respect of the Project, including principles setting out a program of actions, measures and policies designed to maximize the benefits, eliminate, offset or mitigate any adverse social impacts associated with the Project, including any land acquisition, if required.
15. “FM Manual” means the financial management manual, included in the OM which sets out the overall Project financial management arrangements in respect of Project flow of funds, accounting policies and procedures, chart of accounts, financial and accounting procedures, books of accounts, financial reporting, and internal controls, as the same may be revised from time to time with prior mutual agreement between the Recipient and the Association.
16. “Fiscal Year” or the acronym “FY” means the fiscal year of the Recipient, starting April 1 and ending March 31 of the following year.
17. “Governance and Accountability Action Plan” or “GAAP” means the Governance and Accountability Action Plan included in the OM (as defined hereinafter), which identifies key governance issues and sets forth mitigation measures to address said issues in respect of the carrying out of the Project activities, as said Plan may be amended from time to time in agreement with the Association.
18. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

19. “Grant” means a grant made or proposed to be made by the Project Implementing Entity to a Beneficiary, out of the proceeds of the Credit allocated from time to time to finance: (i) housing reconstruction under Part A of the Project; or (ii) the carrying out of activities by CBOs under Part D of the Project, all in accordance with the criteria and procedures set forth in the OM and consistent with the Project Agreement.
20. “Memorandum of Understanding” means the memorandum of understanding between the Project Implementing Entity and ODRC (as hereinafter defined), referred to in Part C(1)(b) of the Schedule to the Project Agreement.
21. “Operating Costs” means reasonable and necessary expenditures, including costs of operation and maintenance of offices, payments to contract staff, salaries and allowances of staff, travel allowances of Project staff incurred with respect to coordination, and monitoring, on account of Project implementation costs of consultants, dissemination of Project related information, office rental and office equipment purchase or leasing, maintenance and repair, vehicle leasing, maintenance and repair, travel, security, communication, bank charges, and other costs directly associated with, and necessary, under the Project.
22. “OM” means the Operations Manual for the Project, dated July 26, 2010, satisfactory to the Association, which sets out the terms, conditions, and procedures for Project implementation, and which includes the Financial Management Manual, the Procurement Manual, the ESMF, and GAAP, and disclosure and grievance handling requirements, as such manual may be revised from time to time with prior mutual agreement between the Recipient and the Association.
23. “ODRC” means the Owner-Driven Reconstruction Collaborative, a group of professionals and non-governmental organizations whose objective is to provide technical and social mobilization support to the Project Implementing Entity in the carrying out of Part A of the Project.
24. “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.
25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 28, 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.
26. “Procurement Manual” means the manual, included in the OM, which sets out procurement policies and procedures with respect to the Project, and which

contains the Procurement Plan, as such manual may be revised from time to time with prior mutual consent of the Recipient and the Association.

27. "Project Implementing Entity" means the Recipient's State of Bihar.
28. "RCD" means the Project Implementing Entity's Road Construction Department or any successor thereto.
29. "RAPs" means the resettlement action plan or plans which set out the principles and procedures governing the acquisition of land and other assets, and the resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of the Project.
30. "RWD" means the Project Implementing Entity's Rural Works Department or any successor thereto.
31. "WRD" means the Project Implementing Entity's Water Resources Department or any successor thereto.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance."

2. Paragraph (1) of Section 6.02 is modified to read as follows:

"Section 6.02. Suspension by the Association

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or

implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is 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 Project Implementing 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.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

Section III. 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.”