
LOAN NUMBER 9226-IN

Project Agreement

(Punjab Municipal Services Improvement Project)

between

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

STATE OF PUNJAB

PUNJAB MUNICIPAL INFRASTRUCTURE DEVELOPMENT COMPANY

MUNICIPAL CORPORATION OF AMRITSAR

and

MUNICIPAL CORPORATION OF LUDHIANA

PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE OF PUNJAB (“Project Implementing Entity”), PUNJAB MUNICIPAL INFRASTRUCTURE DEVELOPMENT COMPANY, MUNICIPAL CORPORATION OF AMRITSAR and MUNICIPAL CORPORATION OF LUDHIANA (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of the Signature Date between INDIA (“Borrower”) and the Bank, concerning Loan No. 9226-IN. The Bank and the Project Implementing Entity hereby agree as follows, which is also accepted and agreed by each of the other signatories to this Agreement.

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) apply to and form 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project through DLG in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is its Principal Secretary (Administrative Secretary).
- 3.02. For purposes of Section 10.01 of the General Conditions: (a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex:	Facsimile:	Email
248423(MCI) or 64145(MCI)	1-202-477-6391	wbindia@worldbank.org

3.03. For purposes of Section 10.01 of the General Conditions: (a) the Project Implementing Entity's address is:

Principal Secretary (Administrative Secretary)
Department of Local Government, Punjab
Punjab Municipal Bhawan
Sector 35A
Chandigarh – 160022
Punjab; and

(b) the Project Implementing Entity's Electronic Address is:

Facsimile:	E-mail:
+ 91 172 - 2662065	secy.lg@punjab.gov.in

3.04. For purposes of Section 10.01 of the General Conditions:

(a) PUNJAB MUNICIPAL INFRASTRUCTURE DEVELOPMENT COMPANY's authorized representative is its Chief Executive Officer.

(b) PUNJAB MUNICIPAL INFRASTRUCTURE DEVELOPMENT COMPANY's address is:

Punjab Municipal Bhawan,
3, Dakshin Marg
Sector 35A
Chandigarh – 160022
Punjab; and

(c) PUNJAB MUNICIPAL INFRASTRUCTURE DEVELOPMENT COMPANY's Electronic Address is:

E-mail:

ceo.pmidc@punjab.gov.in

3.05. For purposes of Section 10.01 of the General Conditions:

(a) MUNICIPAL CORPORATION OF AMRITSAR's authorized representative is its Commissioner, Municipal Corporation Amritsar.

(b) MUNICIPAL CORPORATION OF AMRITSAR's address is:

C Block
Ranjit Avenue
Amritsar– 143001
Punjab; and

(c) MUNICIPAL CORPORATION OF AMRITSAR's Electronic Address is:

Facsimile:

E-mail:

+91 183-2502339

cmcasr@punjab.gov.in

3.06. For purposes of Section 10.01 of the General Conditions:

(a) MUNICIPAL CORPORATION OF LUDHIANA's authorized representative is its Commissioner, Municipal Corporation, Ludhiana.

(b) MUNICIPAL CORPORATION OF LUDHIANA's address is:

Municipal Corporation Ludhiana
Clock Tower Road
Mata Rani Chowk
Ludhiana – 141008
Punjab; and

(c) MUNICIPAL CORPORATION OF LUDHIANA's Electronic Address is:

Facsimile:

E-mail:

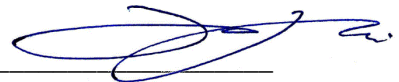
+ 91 161-4085060

commissionermcl@gmail.com

AGREED as of the later of the two dates written below.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Hideki Mori

Name: _____

Title: _____ Acting Country Director for India

Date: _____ 10-Aug-2021

STATE OF PUNJAB

By

Ajoy Kumar Sinha

Authorized Representative

Name: Ajoy Kumar Sinha

Title: PSLG

Date: 10-Aug-2021

PUNJAB MUNICIPAL INFRASTRUCTURE DEVELOPMENT COMPANY

By

Ajoy Sharma

Authorized Representative

Name: Ajoy Sharma

Title: CEO, PMIDC

Date: 10-Aug-2021

MUNICIPAL CORPORATION OF AMRITSAR

By

Malwinder Singh Jaggi

Authorized Representative

Name: Malwinder Singh Jaggi

Title: Commissioner MCA

Date: 10-Aug-2021

MUNICIPAL CORPORATION OF LUDHIANA

By

Pardeep Kumar Sabharwal

Authorized Representative

Name: Pardeep Kumar Sabharwal

Title: Commissioner MCL

Date: 10-Aug-2021

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Project Management Unit in PMIDC

- (a) The Project Implementing Entity shall cause PMIDC to, and PMIDC shall: (i) act as the nodal implementing agency for the Project; and (ii) maintain throughout the period of implementation of the Project, a management unit for the Project (“PMU”) with terms of reference and composition acceptable to the Bank.
- (b) Without limitation to the provisions of Section I.A.1(a)(ii) of this Schedule, the PMU shall be responsible for day to day project management, coordination, monitoring, fiduciary and safeguard oversight, communication and state level grievance mechanism operation, for the implementation of the Project.
- (c) Without limitation to the provisions of Section I.A.1(a)(ii) of this Schedule, the PMU shall be headed by the Chief Executive Officer of PMIDC, who will act as Project Director, and include experts (whether civil servants or consultants) in financial management, procurement, reporting, monitoring and evaluation, social development, gender, environmental specialists and other technical staff, all in adequate number for the management of the Project, each with terms of reference, qualifications and experience acceptable to the Bank.

2. City-level Project Implementation Units

- (a) The Project Implementing Entity shall ensure that each of the Municipal Corporations maintains, and each of the Municipal Corporations shall maintain, throughout the period of implementation of the Project, an implementation unit for its Respective Part of the Project (each a “PIU”) with terms of reference and composition acceptable to the Bank.
- (b) Without limitation to the provisions of Section I.A.2(a) of this Schedule, each PIU shall be responsible for the management of the day to day implementation of the Project activities implemented at the city level, including coordination and management of city specific activities and activities implemented by the Utilities, procurement and contract management, safeguard management, grievance redress, financial management, communications, and reporting to the PMU.
- (c) Without limitation to the provisions of Section I.A.2(a) of this Schedule, each PIU shall be led by the Municipal Commissioner or the Additional Municipal Commissioner of the Municipal Corporation, supported by staff (whether civil servants or consultants) all in adequate number for the management of the Project activities in its Municipal Corporation, each with terms of reference, qualifications and experience acceptable to the Bank.

B. Financial Arrangements.

1. To facilitate the carrying out of the Project, the Project Implementing Entity shall make the proceeds of the Loan available to the Municipal Corporations, through PMIDC, as grants, in accordance with the Project Implementing Entity's standard arrangements for developmental assistance to PMIDC and Municipal Corporations.

C. Contractual and Regulatory Arrangements.

1. DBOT

- (a) For the implementation of Part 2 of the Project, the Project Implementing Entity shall ensure that the Municipal Corporations shall, and the Municipal Corporations shall, enter into design, build, operate and transfer contracts with private operators ("DBOT"), which shall include the payment of a portion of the price in the form of annuities, in each case further to a selection process led by the PMU.
- (b) For the implementation of Part 1(b)(i) of the Project, the Project Implementing Entity and PMIDC shall ensure that, and the Municipal Corporations shall ensure that, no later than six (6) months after the Effective Date, each of the Municipal Corporations has incorporated its respective Utility licensed under the Company Act and has caused the members of its board of directors and a Chief Executive Officer/Managing Director to be selected and appointed in accordance with its governing documents.
- (c) For the implementation of Part 1(b)(i) of the Project, the Project Implementing Entity and PMIDC shall cause the Municipal Corporations to ensure, and each of the Municipal Corporations shall ensure, that:
 - (i) no later than nine (9) months after the Effective Date, each of the Utilities has prepared a transition plan ("Transition Plan") (including, in each case, (A) the description of the organization of the Utility; (B) a detailed staffing plan covering at least the core technical, fiduciary, environmental, social, and monitoring and evaluation staff, in adequate number and each with terms of reference, qualification and experience acceptable to the Bank), in order to ensure that the Utility will have the capacity needed to take over the management of the water and wastewater management contracts entered into by the Municipal Corporation and other water and waste management contracts to be entered into directly by the Utility after the transition; and (C) an inventory of the Municipal Corporation's water and wastewater assets (including the contracts) to be transferred by the relevant Municipal Corporation to the Utility and an analysis of the modalities for such transfer to the Utility once the Utility has developed sufficient capacity for that purpose.
 - (ii) no later than twenty-four (24) months after the Effective Date, each of the Utilities has implemented its Transition Plan in a manner acceptable to the Bank, and in particular, its core staffing is in place in accordance with its Transition Plan and the Municipal Corporation's water and wastewater assets have been transferred to the Utility, in accordance with the Transitional Plan.

- (d) Without limitation to the provisions of Section I.C.1(a) of this Schedule, the PMU shall provide support to each of the Municipal Corporations for the management of its DBOT, in each case until such time when the Utility has been established and has developed and demonstrated the capacities needed to take over the management of such DBOT.

2. COVID-19 response

- (a) For the implementation of Part 3 of the Project, the Project Implementing Entity shall ensure that PMIDC shall, and PMIDC acting through the PMU shall, extend block grants (each a “Grant”) to municipal corporations in Punjab (each a “Beneficiary MC”) selected on the basis of the emergency of their needs. Such Grant shall be extended for the financing of activities selected by the Beneficiary MCs among a menu of eligible activities described in the Project Operations Manual, to respond to impacts of the COVID-19 listed in the Project Operations Manual (the “Eligible Activities”). The Eligible Activities shall be implemented by Beneficiary MCs.
- (b) Prior to the extension of a Grant under Section I.C.2(a) of this Schedule, the Project Implementing Entity shall cause PMIDC to ensure, and PMIDC shall ensure that the Beneficiary MC has established adequate institutional, contractual, implementation, financial and reporting arrangements.
- (c) Without limitation to the generality of the provisions of Section I.C.2(b) of this Schedule, the Project Implementing Entity shall cause PMIDC to obtain, and PMIDC shall obtain, rights adequate to protect its interests and those of the Borrower, the Project Implementing Entity and the Bank, including the right to:
 - (i) require each Beneficiary MC to: (A) carry out its Eligible Activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the Eligible Activities; (C) procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Eligible Activities and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Eligible Activities; and (2) at the Bank’s, the Borrower’s, the Project Implementing Entity’s or PMIDC’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank, the Project Implementing Entity and PMIDC; (F) enable the Borrower, the Bank, the Project Implementing Entity and PMIDC to inspect the Eligible Activities, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower, the Bank, the Project Implementing Entity and PMIDC all such information as the

Borrower, the Bank, the Project Implementing Entity or PMIDC shall reasonably request relating to the foregoing (collectively, the “Implementation Arrangements”); and

- (ii) suspend or terminate the right of the Beneficiary MC to use the proceeds of the Grant or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Beneficiary MC’s failure to perform any of its obligations included in the Implementation Arrangements.
- (d) The Project Implementing Entity shall cause PMIDC to, and PMIDC shall, exercise its rights under each Implementation Arrangements in such manner as to protect the interests of the Borrower, the Bank, the Project Implementing Entity and PMIDC, and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree, the Project Implementing Entity shall cause PMIDC not to, and PMIDC shall not assign, amend, abrogate or waive any part of the Implementation Arrangements.

3. Implementation of the Drinking Water Strategy.

No later than twelve (12) months after the Effective Date, the Project Implementing Entity shall ensure that each of the Municipal Corporations has, and each of the Municipal Corporation shall have: (i) developed and adopted its action plan for the implementation of its drinking water strategy, including a clear tariff schedule, a list of exemptions and subsidies and metering timeline for the entire Municipal Corporation, and (ii) started to implement such action plan, all in accordance with its relevant Municipal Council Resolution.

4. Memoranda of Understanding.

No later than three (3) months after the Effective Date, the Project Implementing Entity shall cause PMIDC to, and PMIDC shall, enter into a Memorandum of Understanding with the MC of *Ludhiana* and a Memorandum of Understanding with the MC of *Amritsar*, in each case to set out the performance framework, including the MC’s key institutional reform areas, targets and outcomes. The key results areas shall focus on: (i) enhancing institutional and financial sustainability of water supply and sanitation, as demonstrated through the establishment and operationalization of water utilities and more sustainable financing of water supply and sanitation services through revised tariffs, metering and collection process; (ii) enhancing financial sustainability of the MC, as demonstrated through development of an asset management registry and a capital investments plan, and strengthening of property tax collection; and (iii) strengthening municipal systems and capacities, as demonstrated through strengthening the MC functional and organizational structures. The availability of Loan proceeds and counterpart funds from the Project Implementing through PMIDC to the MCs shall be linked to the achievement of the results listed or referred to in these Memoranda of Understanding.

D. Environmental and Social Standards.

- 1. The Project Implementing Entity, PMIDC and the Municipal Corporations shall each ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
- 2. Without limitation upon Paragraph 1 above, the Project Implementing Entity, PMIDC and the Municipal Corporations shall each ensure that the Project is implemented in accordance

with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Project Implementing Entity, PMIDC and the Municipal Corporations shall each ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Project Implementing Entity, PMIDC and the Municipal Corporations shall each ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank or if the circumstances warrant, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Project Implementing Entity, PMIDC and the Municipal Corporations shall each (and the Municipal Corporations shall cause their respective Utilities to) establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.
6. The Project Implementing Entity, PMIDC and the Municipal Corporations shall each ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against

children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

7. The Project Implementing Entity, PMIDC and the Municipal Corporations shall each ensure that:
 - (a) all water supply projects being implemented or to be implemented by the Project Implementing Entity, PMIDC, the Municipal Corporations or the Beneficiary MCs during the period of implementation of the Project shall be screened in accordance with the provisions of or referred to in the ESCP, in order to identify the facilities or activities which, in the Bank views, are Associated Facilities; and
 - (b) the provisions of paragraphs 1 to 6 of this Section I.D shall apply, *mutatis mutandis*, to the Associated Facilities, to the extent that the Project Implementing Entity, PMIDC, the Municipal Corporations or the Beneficiary MC has control or influence over such Associated Facilities; and each of PMIDC, the Municipal Corporations and the Beneficiary MCs hereby undertakes to comply with the provisions of paragraphs 1 to 6 of this Section I.D to the same extent as such provisions apply to the Project.

E. Project Operations Manual

1. By not later than one (1) month after the Effective Date (or such other date which the Bank has confirmed in writing to the Project Implementing Entity and PMIDC is reasonable and acceptable under the circumstances, as determined by the Bank in its sole discretion), the Project Implementing Entity shall cause PMIDC to, and PMIDC shall prepare and adopt an operations manual for the Project (the “Project Operations Manual”) in form and substance acceptable to the Bank.
2. Without limitation to the provisions of Section I.E.1 of this Schedule, the Project Operations Manual shall set forth, *inter alia*, the following detailed arrangements and procedures for the implementation of the Project: (i) institutional arrangements for the day-to-day execution of the Project; (ii) the preparation and successive updates of the Procurement Plan and its implementation arrangements; (iii) selection of Beneficiary MCs and Eligible Activities and procedure for the extension of Grants; (iv) implementation arrangements for the ESCP and the environmental and social instruments; (v) budgeting, disbursement, auditing and financial management arrangements; (vi) Project monitoring, reporting, evaluation and communication arrangements; (vii) personal data collection, processing and protection; and (viii) any other administrative, financial, technical and organizational arrangements and procedures as shall be necessary for the implementation of the Project and the achievement of its development objective.
3. The Project Implementing Entity shall cause PMIDC to, and PMIDC shall thereafter ensure that the Project is carried out in accordance with the Project Operations Manual, and except as the Bank may otherwise agree in writing, PMIDC shall not amend or waive, or permit to be amended or waived, any provision of the Project Operations Manual.
4. In the event of any conflict between the provisions of the Project Operations Manual and those of the Loan Agreement or this Agreement, the provisions of the Loan Agreement and this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Reports.

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare, with inputs from PMIDC and the Municipal Corporations, Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester (six month-periods), and shall be furnished to the Borrower not later than one (1) month after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
- (b) Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the Project activities, the Project Implementing Entity shall ensure that such information, report or document does not include Personal Data.

B. Annual Work Plans and Budgets

1. (a) Except for the Project Implementing Entity's fiscal year during which the Loan Agreement shall become effective, each year, the Project Implementing Entity shall cause PMIDC to and PMIDC shall, with inputs from the Municipal Corporations: (i) prepare and furnish to the Bank by January 15 in each year, beginning in 2022, a draft Annual Work Plan and Budget for review and comment, summarizing the implementation progress of the Project for the said year and the Project activities (including, among others, Incremental Operating Costs and Training) to be undertaken in the following fiscal year (together with documentary evidence that the safeguard obligations related to such upcoming Project activities shall be fully complied with in a timely fashion in accordance with the ESCP), including the proposed annual budget and sources of financing for the Project (Loan, counterpart financing, and any other source of financing which may become available for the Project); (ii) taking into account the Bank's comments, finalize and furnish to the Bank no later than February 15 in each year, beginning in 2021, the Annual Work Plan and Budget, acceptable to the Bank; and (iii) thereafter ensure the implementation of the Project during the following fiscal year in accordance with the Annual Work Plan and Budget agreed with the Bank and in a manner acceptable to the Bank (and update such Annual Work Plans and Budgets on a quarterly basis). None of the Project Implementing Entity, PMIDC or the Municipal Corporations shall amend, suspend, abrogate, or waive said Annual Work Plans and Budgets or any provision thereof without the prior written agreement of the Bank.
- (b) For the Project Implementing Entity's fiscal year during which the Loan Agreement shall become effective, the date referred to in Section II.B.1(a)(i) of this Schedule shall be one (1) month after the Effective Date and the date referred to in Section II.B.1(a)(ii) of this Schedule shall be two (2) months after the Effective Date. Such Annual Work Plan and Budget shall not include any reporting related to activities implemented during the fiscal year during which it is prepared.

C. Project Midterm Review

The Project Implementing Entity shall, cause PDIMC to, and PDIMC shall:

1. not later than thirty (30) months after the Effective Date, or such other date as may be agreed with the Bank, carry out jointly with the Bank and the Project Implementing Entity, a midterm review of the Project (the "Midterm Review"), to assess the status of Project implementation, as measured against the indicators referred to in Section II.A.1 of the Schedule to this Agreement and the legal covenants included in this Agreement. Such review shall include an assessment of the following: (a) overall progress in implementation; (b) results of monitoring and evaluation activities; (c) progress on procurement and disbursement; (d) progress on implementation of safeguards measures; (e) implementation arrangements and Project staffing; and (f) the need to make any adjustments to the Project and reallocate funds to improve performance, if any;
2. to this end, prepare with inputs from the Municipal Corporations, Utilities and Beneficiary MCs, and furnish to the Bank, at least one (1) month before the Midterm Review, a report (or reports), in scope and detail satisfactory to the Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives during the period following such date; and
3. review jointly with the Bank the report or reports referred to in the preceding paragraph, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of its objectives, based on the conclusions and recommendations of such report or reports and the Bank's views on the matter.