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LOAN NUMBER 9226-IN

# Loan Agreement

(Punjab Municipal Services Improvement Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

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## **LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between INDIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

WHEREAS (A) the Borrower has requested that the Bank contributes to the financing of the project described in Schedule 1 to this Agreement (“Project”); and

(B) the cost of the Project is estimated at three hundred million Dollars (\$300,000,000).

NOW, THEREFORE, the Borrower and the Bank hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower the amount of one hundred and five million Dollars (\$105,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the Project.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

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

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
+91-11-23094075	secy-dea@nic.in

5.03. 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

AGREED as of the Signature Date.

**INDIA**

By Rajat Kumar Mishra  
\_\_\_\_\_  
**Authorized Representative**  
Rajat Kumar Mishra  
**Name:** \_\_\_\_\_  
**Title:** Rajat Kumar Mishra  
**Date:** 10-Aug-2021

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By   
\_\_\_\_\_  
**Authorized Representative**  
Hideki Mori  
**Name:** \_\_\_\_\_  
**Title:** Acting Country Director for India  
**Date:** 10-Aug-2021

## SCHEDULE 1

### Project Description

The objective of the Project is to support the strengthening of urban governance, finances, and delivery of sustainable water services in the cities of *Amritsar* and *Ludhiana*.

The Project consists of the following parts:

#### Part 1. Strengthening Urban Service Delivery Systems

- (a) Strengthening urban governance and finance systems of *Amritsar* and *Ludhiana*, by
  - (i) Carrying out e-governance and administrative improvements;
  - (ii) Right-skilling and strengthening MC staff capacity;
  - (iii) Developing and operationalizing a capital investment plan and an asset management system in both MCs;
  - (iv) Strengthening property tax and water tariff collection; and
  - (v) Strengthening social accountability, citizen outreach and grievance redress systems
- (b) Strengthening water service management, by:
  - (i) establishing water and wastewater utilities in *Amritsar* and *Ludhiana*;
  - (ii) implementing communication campaigns and outreach activities.

#### Part 2. Improving Water Supply Infrastructure

Designing, building, operating and maintaining raw water systems, water treatment plants, clean water pumping systems, transmission lines and overhead reservoirs in: (a) *Amritsar*; and (b) *Ludhiana*.

#### Part 3. COVID-19 Crisis Response

Extending sub-grants to municipal corporations in Punjab to finance short- or medium- terms non-medical interventions to address impacts of the COVID-19 crisis and improve readiness to disasters (including natural disasters).

#### Part 4. Project Management

Providing support for the coordination, implementation (including safeguards), monitoring and evaluation of the Project and the carrying out of studies relevant to urban governance and water supply.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Financial Arrangements.**

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.
2. Notwithstanding the provisions of the preceding paragraph, in the event of a conflict between the Borrower's standard arrangements for developmental assistance to the States of India and the provisions of or referred to in this Agreement, the provisions of or referred to in this Agreement shall govern.
3. The Borrower shall exercise its rights under its standard arrangements for developmental assistance to the States of India in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive its rights or obligations under said arrangements.

##### **B. Safeguards.**

The Borrower shall ensure, and cause the Project Implementing Entity to ensure, that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the provisions of Section I.D of the Schedule to the Project Agreement.

#### **Section II. Project Monitoring Reporting and Evaluation**

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

#### **Section III. Withdrawal of Loan Proceeds**

##### **A. General.**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training for Part 1 and Part 4 of the Project	9,582,500	36.5%
(2) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training, but expressly excluding land acquisition costs, resettlement and relocation costs:  (a) for Part 2(a) of the Project; and  (b) for Part 2(b) of the Project	37,102,250  53,052,750	36.5%
(3) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training for Part 3 of the Project	5,000,000	50%
(4) Front-end Fee	262,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>105,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$ 10,000,000 may be made for payments made prior to this date but on or after June 30, 2020, for Eligible Expenditures; or
  - (b) (i) under Category (2)(a) until such date when the Bank has confirmed to the Borrower in writing that the Bank has received documentary evidence in form and substance satisfactory to the Bank that: (A) the *Amritsar* Municipal Corporation has incorporated its Utility and that such Utility's

board of directors has been established with a Chief Executive Officer/Managing Director in accordance with the provisions of Section I.C.1(b) of the Schedule to the Project Agreement; and (B) a memorandum of understanding has been entered into by the *Amritsar* Municipal Corporation and the other signatories in accordance with the provisions of Section I.C.4 of the Schedule to the Project Agreement; or

- (ii) under Category (2)(b) until such date when the Bank has confirmed to the Borrower in writing that the Bank has received documentary evidence in form and substance satisfactory to the Bank that: (A) the *Ludhiana* Municipal Corporation has incorporated its Utility and that such Utility's board of directors has been established with a Chief Executive Officer/Managing Director in accordance with the provisions of Section I.C.1(b) of the Schedule to the Project Agreement; and (B) a memorandum of understanding has been entered into by the *Ludhiana* Municipal Corporation and the other signatories in accordance with the provisions of Section I.C.4 of the Schedule to the Project Agreement.

2. The Closing Date is September 30, 2026.



**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

**Level Principal Repayments**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each January 15 and July 15 Beginning July 15, 2024 through January 15, 2033	5.26%
On July 15, 2033	5.32%

## **APPENDIX**

### **Definitions**

1. “Amritsar” means the city of Amritsar in the Borrower’s State of Punjab.
2. “Annual Work Plan and Budget” means the work plan and budget (including related cash forecasts) for the implementation of the Project accepted by the Bank, referred to in Section II.B of the Schedule to the Project Agreement; and “Annual Work Plans and Budgets” means, collectively, all such plans and budgets.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.
4. “Associated Facilities” is defined in the Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts and means the facilities or activities that are not funded as part of the Project which meet all of the three following cumulative criteria: (A) they are directly and significantly related to the Project; (B) they are carried out, or planned to be carried out, contemporaneously with the Project; and (C) they are necessary for the Project to be viable and would not have been constructed, expanded or conducted if the Project did not exist.
5. “Beneficiary MC” means a municipal corporation in Punjab to which a Grant has been extended or is proposed to be extended in accordance with the provisions of Section I.C.2(a) of the Schedule to the Project Agreement.
6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. “Co-financier” means Asian Infrastructure Investment Bank.
8. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.
9. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of \$105,000,000 to be provided by the Co-financier to assist in financing the Project.
10. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
11. “DBOT” means a contract entered or to be entered into between a Municipal Corporation and a private operator in accordance with Section I.C.1(a) of the Schedule to the Project Agreement.
12. “DLG” means the Department of Local Government of the government of the State of Punjab.

13. “Drinking Water Tariff Policy for Municipal Corporations, Punjab” means the policy entitled “Drinking Water Tariff Policy for Municipal Corporations, Punjab” prescribed by the Government of Punjab, Department of Local Government by Government Order no.5/45/2020-11g4/702-706 dated March 31, 2020.
14. “Eligible Activities” means, collectively, a menu of activities listed in the Project Operations Manual to respond to impacts of the COVID-19; or among such activities, the activities selected by a Beneficiary MC in accordance with the provisions of Section I.C.2(a) of the Schedule to the Project Agreement.
15. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated March 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
16. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
17. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020 and December 21, 2020).
18. “Grant” means a grant extended by the Project Implementing Entity to a Beneficiary MC for the financing of Eligible Activities in accordance with the provisions of Section I.C.2(a) of the Schedule to the Project Agreement; and “Grants” means more than one Grant.
19. “Implementation Arrangements” means, collectively, the set of rights and obligations of the Beneficiary MC with respect to a Grant, described in Section I.C.2(c)(i) of the Schedule to the Project Agreement.
20. “Incremental Operating Costs” means the reasonable costs, which shall have been agreed by the Bank under each Annual Work Plan and Budget, for the incremental expenses incurred by the PMU and the PIUs, on account of Project implementation and supervision, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities,

- document duplication/printing, consumables, travel cost and *per diem* for Project staff for travel linked to the implementation or supervision of the Project, and salaries of contractual staff for the Project (but excluding salaries, salary supplements and overheads of members of the Borrower's, the Project Implementing Entity's, PMIDC's and any municipal corporations' civil service).
21. "Ludhiana" means the city of Ludhiana in the Borrower's State of Punjab.
  22. "Midterm Review" means the joint review of the Project carried out or to be carried out in accordance with the provisions of Section II.C of the Schedule to the Project Agreement.
  23. "Municipal Corporation" or "MC" means, individually either the municipal corporation of *Amritsar* or the municipal corporation of *Ludhiana*; and "Municipal Corporations" or "MCs" means, collectively, the municipal corporation of *Amritsar* and the municipal corporation of *Ludhiana*.
  24. "Municipal Council Resolution" means, when referring to *Amritsar*, the decision of its Commissioner dated April 6, 2020 (to be confirmed by its Municipal Council after the health emergency and, when referring to *Ludhiana*, the decision of its Municipal Council no. 1303/PS/D dated March 18, 2020, in both cases for the implementation of the Drinking Water Tariff Policy for Municipal Corporations, Punjab, on its respective territory.
  25. "Personal Data" means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
  26. "PMIDC" means Punjab Municipal Infrastructure Development Company, a not profit-making company established by DLG, duly licensed under Section 25 of the Company's Act and incorporated in March 2009, with the objective of uplifting the living standard of urban population including urban poor in the State of Punjab.
  27. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.
  28. "Project Implementation Unit" or "PIU" means, individually, one of the two implementation units established under each of the Municipal Corporations of *Amritsar* and *Ludhiana*, respectively, for the monitoring and implementation of the Project pursuant to Government of Punjab's order no.5/44/2020-2LG4/ and referred to in Section I.A.2 of the Schedule to the Project Agreement; and "PIU" means, collectively, the Project Implementation Unit established under the Municipal Corporation of *Amritsar* and the Project Implementation Unit established under the Municipal Corporation of *Ludhiana*.
  29. "Project Implementing Entity" means the State of Punjab.

30. “Project Management Unit” or “PMU” means the unit established under PMIDC for the monitoring and implementation of the Project pursuant to Government of Punjab’s order no.5/44/2020-2LG4/ and referred to in Section I.A.1 of the Schedule to the Project Agreement.
31. “Project Operations Manual” means the manual to be prepared and adopted by PMIDC in accordance with the provisions of Section I.E.1 of the Schedule to the Project Agreement.
32. “Respective Part of the Project” means the Project activities implemented at the city level, which are the activities implemented at Amritsar’s level when referring to Amritsar’s Respective Part of the Project, or the activities implemented at Ludhiana’s level when referring to Ludhiana’s Respective Part of the Project.
33. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
34. “Training” means training activities included in an Annual Work Plan and Budget approved by the Bank, comprising seminars, workshops and study tours, along with reasonable costs (in the view of the Bank) associated with such activities, including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other charges directly related to course preparation and implementation but excluding consultants’ services.
35. “Transition Plan” means a plan prepared or to be prepared by a Utility in accordance with the provisions of Section I.C.1(c)(i) of the Schedule to the Project Agreement.
36. “Utilities” means, collectively, the two water and wastewater utility companies to be established in *Amritsar* and *Ludhiana*, respectively, under Part 1(b)(i) of the Project; and “Utility” means, individually, either the water and wastewater utility company established or to be established in *Amritsar*, or the water and wastewater utility company established or to be established in *Ludhiana*, as the context may require.