

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3635-1-IN

Financing Agreement

(Additional Financing for Karnataka Community-Based
Tank Management Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 2, 2007

CREDIT NUMBER 3635-1-IN

FINANCING AGREEMENT

AGREEMENT dated November 2, 2007, between INDIA, acting by its President (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

Whereas the Recipient has requested the International Bank for Reconstruction and Development (“Bank”) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank (“Loan Agreement”), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to thirty two million Dollars (\$32,000,000) (“Loan”).

Now therefore, the Recipient and the Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement (“Additional Financing Agreement”).
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Additional Financing 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 twenty one million Special Drawing Rights (SDR 21,000,000) (“Additional Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Additional Credit 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 Credit 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 15 and September 15 in each year.
- 2.06. The principal amount of the Additional Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is United States Dollars.

ARTICLE III – THE 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 Entities in accordance with the provisions of Article IV of the General Conditions and the Additional 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 – EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that all conditions precedent to the effectiveness of the Loan Agreement and the Additional Project Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is any 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.
- 5.02. The Recipient's Address is:

Secretary to the Government of India
Department of Economic Affairs, Ministry of Finance
North Block, New Delhi 110 001
India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23093422

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

/s/ Madhusudan Prasad
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Isabel M. Guerrero
Country Director
India

SCHEDULE 1

Project Description

The objective of the Project is to assist the Government of Karnataka in improving rural livelihoods and reducing poverty by developing and strengthening community-based approaches to improving and managing selected Tank Systems.

The Project consists of the Original Project including eight (8) additional districts in Karnataka (the districts of Belgaum, Bijapur, Chikkamagalur, Davanagere, Dharwad, Hassan, Shimoga and Uttara Kannada).

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Availability of Funds

To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Additional Credit available to the Project Implementing Entities, in a manner satisfactory to the Association.

B. Accountability

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Accountability Guidelines.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

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 indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester (i.e., every six (6) months), and shall be furnished to the Association not later than eight (8) weeks after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a computerized 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 prepare and furnish to the Association as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, financial management 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, commencing with the fiscal year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Additional Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Additional Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the following additional procedures:

- (i) The Procurement Plan shall specify the circumstances under which such procurement method may be used.
- (ii) Standard bidding documents and procedures approved by the Association shall be used.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Force Account
(e) Community driven procurement

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection, subject to the following additional procedures:

- (a) The Procurement Plan shall specify the circumstances under which such procurement method may be used; and
- (b) Standard Request for Proposal documents and procedures approved by the Association shall be used.

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

Procurement Method
(a) Quality Based Selection
(b) Selection under a Fixed Budget
(c) Selection Based on Consultants' Qualifications
(d) Single Source Selection
(e) Least Cost Selection
(f) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Additional Credit in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient 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 Additional Credit under this Agreement and the Loan

under the Loan Agreement, the allocation of the amounts of the Additional Financing and the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR)	Amount of the Loan Allocated (Expressed in U.S. Dollars)	Percentage of Expenditures to be Financed
(1) Goods, works, and services, training, workshops, study tours, NGOs, Educational and Research Institutions, Incremental Operating Costs and Tank System Subprojects under Part C of the Original Project	21,000,000	31,920,000	90%
(2) Front-end Fee		80,000	Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07(b) of the General Conditions
TOTAL AMOUNT	21,000,000	32,000,000	

B. Withdrawal Conditions; Withdrawal Period and Other Undertakings

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is January 31, 2012.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage)*
On each March 15 and September 15:	
Commencing March 15, 2018 to and including September 15, 2027.	1.25%
Commencing March 15, 2028 to and including September 15, 2042.	2.50%

*The percentages represent the percentage of the principal amount of the Additional 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

All definitions contained in the Original Credit Agreement in Article I, Section 1.02 are incorporated by reference in this Additional Financing Agreement, and shall apply *mutatis mutandis* to the Additional Financing Agreement and the Additional Project Agreement, subject, however, to the following modifications, unless the context otherwise requires:

- (a) “Financial Management Manual” means the Project Financial Management Manual dated July 16, 2007, and adopted by the Project Implementing Entities, as may be amended and satisfactory to the Association, containing *inter-alia*, financial management, and disbursement and audit procedures for carrying out the Project.
- (b) “PIP” means the Project Implementation Plan, dated July 16, 2007, and adopted by the Project Implementing Entities, as may be amended and satisfactory to the Association, containing, *inter-alia*, the procedures for implementing the Project, including the Social and Environmental Management Framework (“SEMF”), monitoring and evaluation (M&E), and also including the criteria for the eligibility and selection of TS Subprojects, and the procedures for carrying out TS Subprojects.
- (c) “Environmental Management Plan” dated March 1, 2002, is updated by the Project Implementing Entity’s SEMF included in the PIP dated July 16, 2007, and setting forth the environmental and social management framework to address environmental and social issues and impacts arising from, or likely to result from, the carrying out of the Project, together with the environmental, pest management, cultural property, involuntary resettlement, tribal development and safety of dams-related actions, measures and policies applicable to the design and implementation of the Project.

Section II. Other Definitions

- 1. “Additional Credit” means the credit or financing provided for in this Additional Financing Agreement (hereinafter defined) for the Project.
- 2. “Additional Financing Agreement” means this financing agreement providing for the Additional Credit between the Recipient and the Association, as such agreement may be amended from time to time.
- 3. “Additional Project Agreement” means the project agreement dated the same date as this Additional Financing Agreement and the Loan Agreement

(hereinafter defined), as such project agreement may be amended from time to time.

4. “Accountability 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.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “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 apply to the selection and employment of consultants using the proceeds of the Additional Credit and the Loan (hereinafter defined).
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
8. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Additional Financing Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
9. “Original Credit Agreement” means the Development Credit Agreement for Karnataka Community-Based Tank Management Project between the Recipient and the Association, dated June 4, 2002, (Credit No. 3635-IN).
10. “Original Project” means the Project described in the Original Credit Agreement.
11. “Original Project Agreement” means the Project Agreement for Karnataka Community-Based Tank Management Project between the Association, and the State of Karnataka and the JSYS, dated June 4, 2002, (Credit No. 3635-IN).
12. “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 apply to the procurement of goods, works and non consultant services using the proceeds of the Additional Credit and the Loan.
13. “Procurement Plan” means the Project Implementing Entity’s (as this term is hereinafter defined) procurement plan for the Project, dated July 16, 2007, 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.

14. "Project Implementing Entity" means the State of Karnataka or any successor thereto, and the JSYS or any successor thereto.