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CREDIT NUMBER 4251 - IN

# Financing Agreement

(Punjab Rural Water Supply and Sanitation Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 26, 2007

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**CREDIT NUMBER 4251 - IN**

**FINANCING AGREEMENT**

AGREEMENT dated February 26, 2007, between INDIA, acting by its President (“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 the 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 one hundred and four million one hundred thousand Special Drawing Rights (SDR 104,100,000) (“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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 15 and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is U.S. 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 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 – EFFECTIVENESS**

- 4.01 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 the Secretary to the Government of India, Department of Economic Affairs.

- 5.02. The Recipient's Address is:

Department of Economic Affairs  
Ministry of Finance  
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/ Rachid Benmessaoud  
Acting Regional Vice President

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist Punjab in implementing its SWAp Program aimed at increasing the access of rural communities to improved and sustainable rural water supply and sanitation services.

The Project consists of the following parts:

#### **A. Program Management**

1. Investment and operating costs to support Project implementation activities for the provision of SWAp Program management support to SPMC and DPMCs.
2. Establishment and operation of the SWAp Program's monitoring and evaluation system, including: the development and operation of a management information system; carrying out of outcome monitoring surveys; preparation of implementation performance reports; GPWSC awards; and the design and operationalization of water quality monitoring systems.
3. Carrying out of capacity building programs for DWSS, SPMC, DPMCs and SOs in the planning and implementation of SWAp Program activities, including: change management and team building; knowledge enhancement; participatory processes; engineering design and construction practices; environmental management; procurement; management of consultants and contractors; financial management; skills training and operations and maintenance of RWSS sector schemes.
4. Carrying out of information, education and communication campaign aimed at RWSS sector stakeholders.
5. Pilot testing of innovative technologies in the RWSS sector.

#### **B. Community Development**

1. Provision of technical assistance to support village communities and build capacity in respect of the Project activities carried out under Part C of the Project, including community mobilization and the development and management of RWSS sector facilities and services.
2. Provision of technical assistance to support engineering design and construction supervision for carrying out activities under Part C of the Project.

C. Infrastructure Development

1. Construction and upgradation of rural water supply schemes in about 3,000 habitations in Punjab which are not covered or are only partially covered by such schemes.
2. Carrying out a program aimed at achieving sustained quality improvements in rural water supply services, consisting of:
  - (a) the provision of goods and works to support the upgradation of existing single village and multi village rural water supply schemes, including the provision and installation of bulk water meters in multi-village water supply schemes and the establishment of a district level contingency fund; and
  - (b) the pilot testing of innovative water treatment technologies related to reverse osmosis, defloridation plants, and portable water treatment plants.
3. Provision of goods and works to support the construction or upgradation of community sanitation schemes, including the upgradation of village drains and rehabilitation of village ponds in about 1,000 selected habitations, and the construction of small bore sewers/sewerage schemes in about 100 selected habitations.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. 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 States of India.
2. The Recipient shall protect the interests of the Recipient and the Association to accomplish the purposes of the Financing.

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

##### **A. Project Reports**

The Recipient shall cause the Project Implementing Entity to 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.

##### **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, or shall cause the Project Implementing Entity to, prepare and furnish to the Association as part of the Project Report not later than sixty (60) days after the end of each calendar quarter, interim un-audited 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 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, works and services other than consultant services required for the Project and to be financed out of the proceeds of the Financing 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. **Consultant Services.** All consultant services required for the Project and to be financed out of the proceeds of the Financing 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, the Consultant Guidelines, the Procurement Manual, or the Procurement Plan, as the case may be.

#### **B. Particular Methods of Procurement of Goods, Works and Services other than Consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services other than consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the following additional procedures:
  - (i) The Procurement Manual 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, Works and Services other than Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services other than consultant services. The Procurement Manual and the Procurement Plan shall specify the circumstances and the manner under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Limited Competitive Bidding/Shopping
(c) Direct Contracting
(d) Force Account

**C. Particular Methods of Procurement of Consultant Services**

1. **Quality and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultant 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 Manual shall specify the circumstances under which such procurement method may be used.
- (b) Standard Request for Proposal documents and procedures approved by the Association shall be used.

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

<b>Procurement Method</b>
(a) Quality – Based Selection
(b) Least Cost Selection
(c) Selection Based on Consultant's Qualifications
(d) Single Source Selection
(e) Selection of Individual Consultants

**D. Review by the Association**

1. 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 Financing, in accordance with the provisions of this Section and such additional instructions as the Association, as the case may be, 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 Financing, the allocation of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (Expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, services and operating costs for Eligible Project Activities under Parts A and B of the Project	37,700,000	100% of Eligible Project Expenditures
(2) Goods and works for Eligible Project Activities under Parts C.1 and C.2(a) of the Project	53,600,000	66% of Eligible Project Expenditures
(3) Goods and works for Eligible Project Activities under Parts C.2(b) and C.3 of the Project:  (i) the first five Pilot Schemes under Part C.2 (b) and C3 of the Project;  (ii) all Schemes subsequent to the first five pilot schemes under Part C.2(b) of the Project; and  (iii) all schemes subsequent to the first five pilot community sanitation schemes under Part C.3 of the Project	700,000  4,600,000  7,500,000	66% of Eligible Project Expenditures  66% of Eligible Project Expenditures  66% of Eligible Project Expenditures
TOTAL AMOUNT	104,100,000	

**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 one million one hundred thousand Special Drawing Rights (SDR 1,100,000) equivalent

may be made for payments made prior to this date but on or February 1, 2006; and

- (b) in respect of Categories (3)(ii) and 3(iii), unless the first five Pilot Schemes carried out respectively under Part C.2(b) and C.3 of the Project shall have commenced operations, satisfactory to the Association.

2. The Closing Date is March 31, 2012.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit Repayable (Expressed as a percentage)*</b>
On each May 15 and November 15:	
commencing May 15, 2017 to and including November 15, 2026	1.25
commencing May 15, 2027 to and including November 15, 2041.	2.50

\*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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “District Annual Plan” means the annual plan prepared or to be prepared, as the case may be, by the DWSC for a Fiscal Year, approved by the SWSM prior to the end of the previous Fiscal Year, and included in the annual budget of the Project Implementing Entity, referred to in paragraph 2(b)(ii) of Section I of the Schedule to the Project Agreement.
4. “DPMC” means the District Program Management Cell established in each district of Punjab referred to in paragraph 2(b)(i) of Section I of the Schedule to the Project Agreement.
5. “DWSC” means the District Water and Sanitation Committee referred to in paragraph 2(b)(ii) of Section I of the Schedule to the Project Agreement.
6. “DWSS” means the Department of Water Supply and Sanitation of the State of Punjab, or any successor thereto.
7. “Eligible Project Activities” means the activities set forth in Schedule 1 to this Agreement and financed through the proceeds of the Credit.
8. “Eligible Project Expenditures” means the aggregate of expenditures incurred by the Project Implementing Entity in a Fiscal Year for Eligible Project Activities set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, excluding expenditures financed by the Recipient and communities.
9. “EMF” means the Environmental Management Framework adopted by the Project Implementing Entity in September 2006 and referred to in the Project Implementation Plan and Operations Manual, for purposes of setting forth the environmental and social framework to address the adverse potential, temporary, or permanent environmental and social impacts resulting, or likely to result from, the carrying out of the Project.
10. “Financial Management Manual” means the manual, dated October 2006, satisfactory to the Association, adopted by the Project Implementing Entity for the purpose of carrying out, monitoring and supervising the financial management aspects of the implementation of the Project, and includes the GPWSC Handbook for Procurement and Financial Management.

11. “Fiscal Year” means the fiscal year of the Project Implementing Entity, which commences on April 1 of a calendar year and ends on March 31 of the following calendar year.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants,” dated July 1, 2005.
13. “GP” means Gram Panchayat, a local self-government body established under the Punjab Panchayati Raj Act, 1994.
14. “GPWSC” means the Gram Panchayat Water Supply and Sanitation Committee.
15. “GPWSC Handbook for Procurement and Financial Management” means the manual that provides for procurement, disclosure, transparency and financial management policies, guidelines, procedures, and rules applicable to the Project activities carried out at the GP level under Part C of the Project.
16. “MTP” means the Medium Term Program adopted by the Project Implementing Entity for the period ending March 31, 2012, that includes ongoing rural water supply schemes and the SWAp Program.
17. “Operating Costs” means operating costs that are incurred by the Project management units including, *inter alia*, contractual staff fees, all staff travel, conveyance and subsistence expenses, office and vehicle rentals, equipment maintenance contracts and other office operating costs.
18. “Pilot Schemes” means the Project activities in respect of the pilot testing of innovative water supply and sanitation technologies under Parts C.2(b) and C.3 of the Project.
19. “PIP and OM” means the Project Implementation Plan and Operations Manual, dated October 2006, and adopted by the Project Implementing Entity, satisfactory to the Association, containing, *inter alia*, the operating procedures for the carrying out of the Project, the criteria for the eligibility, selection, and implementation of investment schemes under Part C of the Project, SWAp Program guidelines, implementation and institutional arrangements, investment scheme cycles, funds flow, and Project performance indicators, as such Plan and Manual may be revised from time to time with the prior approval of the Association.
20. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
21. “Procurement Manual” means the manual, dated October 2006 and adopted by the Project Implementing Entity, which sets forth, *inter alia*, methods and procedures for the procurement of goods, works and services under the Project as

the said manual may be updated from time to time with the prior approval of the Association.

22. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated October, 2006, 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.
23. “Project Implementing Entity” means the State of Punjab of the Recipient, or any successor thereto.
24. “RWSS” means rural water supply and sanitation.
25. “RWSS Sector Policy” means policies of the Project Implementing Entity relating to the improvement of rural water supply and sanitation.
26. “SO” means a Support Organization involved in the carrying out of community capacity building activities under Part B.1 of the Project.
27. “SPMC” means the State Program Management Cell established within DWSS, referred to in paragraph 2(a)(i) of Section I of the Schedule to the Project Agreement
28. “SWAp Program” means the state-wide program, adopted by the Project Implementing Entity, for all RWSS sector investments, delineating its RWSS sector-wide approach for the decentralized implementation of a single-sector policy and expenditure program, irrespective of the source of financing.
29. “SWSM” means the State Water Supply and Sanitation Mission set up by the Project Implementing Entity.
30. “Technical Manual” means the manual adopted by the Project Implementing Entity, containing engineering designs and construction, operations and maintenance standard practices and guidelines for the purpose of carrying out the Project.
31. “Transparency and Accountability Plan” means the plan adopted by the Project Implementing Entity for the purpose of improving disclosure and governance in the RWSS sector and included in the PIP and OM.