

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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**OFFICIAL
DOCUMENTS**

Q942 IN

October 17, 2014

Mr. Tarun Bajaj
Joint Secretary (MI)
Government of India
Department of Economic Affairs
Ministry of Finance
Government of India
Room No. 40-B, North Block
New Delhi - 110 001

Dear Mr. Bajaj:

**INDIA: Advance Agreement for Preparation of Proposed Nagaland Health Project
Preparation Advance No. Q942-IN**

In response to the request for financial assistance made on behalf of India (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million Dollars (\$1,000,000) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed project designed to improve health services and increase their utilization by communities in targeted locations in Nagaland (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By 
Rajni Khanna
Acting Country Director, India

AGREED:
INDIA

By: 
Authorized Representative

Name: 
(TARUN BAJAJ)

Title: संयुक्त सचिव/Joint Secretary
वित्त मंत्रालय/Ministry of Finance
आर्थिक कार्य विभाग/Deptt of Eco. Affairs
भारत सरकार/Govt of India
नई दिल्ली/New Delhi

Date: NOVEMBER 4, 2014

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.

cc: Mr. Subhash Chandra Garg, Executive Director (India), World Bank
Mr. L.K. Atheeq, Senior Advisor to Executive Director (India), World Bank
Mr. Bhaskar Dasgupta, Director, DEA, Ministry of Finance, Government of India
Mr. Rajani Ranjan, Under Secretary, DEA, Ministry of Finance, Government of India
Mr. Senthanger Imchen, Commissioner and Secretary, Department of Health and Family Welfare, Government of Nagaland
Ms. N.L. Changkija, Additional Director, Department of Health and Family Welfare, Government of Nagaland

Cleared with:

Albertus Voetberg, Acting Practice Manager, GHNDR

Junxue Chu, Senior Finance Officer, CTRLN

Anu Bakshi, Paralegal, LEGES

Bcc: Messrs/Mmes: Voetberg, Govindaraj, Mullen, Nagaraj (GHNDR); Bakshi (LEGES);
Arikatla, Mummadarapu, Raju, Chu (CTRLN); Pinho (CTRNC); Loan Client Services; Lotha,
Thomas, Rajora (SACIN); Nagaland_HNP_Core Team, India CMU General; WBDocs.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, including the Appendix to this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

- (a) Carrying out a program of activities designed to renovate the PMU office located in the existing building of the Implementing Entity.
- (b) Provision of training and consultants’ services to provide technical support and fiduciary management during Project implementation, support to community-level activities, and financing of Incremental Operating Costs, aimed to strengthen the capacity of the PMU for Project preparation and implementation.
- (c) Conducting a baseline study for the Project, and carrying out of detailed technical assessments for the Project, including preparation of the Safeguards Instruments.
- (d) Support to pilot activities in the areas of: (i) off-grid power through installation of battery/inverter system, solar panels, and other related equipment and works, as necessary, in various health facilities; and (ii) water/sanitation, through installation of roof-water harvesting and other appropriate systems, repair of existing washbasins and toilets/latrines, and repair of existing water supply and sanitation systems in various health facilities.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient, through Nagaland, shall cause the Implementing Entity to carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall make the proceeds of the Advance available to Nagaland in accordance with the Recipient’s standard arrangements for development assistance to the Ministries, Government of India and the States of India.

(b) The Recipient shall vest in Nagaland the overall responsibility for the implementation of the Activities.

(c) The Recipient, through Nagaland, shall cause the Implementing Entity to:

- (i) carry out of the Activities in accordance with this Agreement;
- (ii) ensure that all civil works to be financed through the Advance are technically and economically viable, and have been designed and appraised, with due regard for public health, safety, social and environmental standards acceptable to the World Bank, and are carried out in accordance with the Safeguards Instruments;
- (iii) in the case of any Activity requiring the adoption of a RAP(s), proceed to have such RAP(s): (A) prepared in accordance with the ESMF; (B) submitted to the World Bank for review and approval; and (C) thereafter adopted and publicly disclosed, prior to the implementation of such Activity;
- (iv) in a manner satisfactory to the World Bank, adequately screen the presence of any Scheduled Castes and Scheduled Tribes in the Project area, and through a process of free, prior and informed consultation and participation, ensure that the benefits received by any identified Scheduled Castes and Scheduled Tribes under the Activities are in harmony with their economic, social and cultural preferences and protect their customary user rights to land and natural resources; and
- (v) protect the interests of the Recipient and the World Bank to accomplish the purposes of the Activities.

(d) Except as the World Bank shall otherwise agree in writing, the Recipient, through Nagaland, shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Safeguards Instruments, or any provision thereof. In the event of any conflict between the provisions of the Safeguards Instruments and of this Agreement, the provisions of this Agreement shall prevail.

(e) The Recipient, through Nagaland, shall cause the Implementing Entity to maintain throughout the period of Project implementation:

- (i) a Project Steering Committee chaired by the Chief Secretary of Nagaland, which committee shall have the overall responsibility for the Project to oversee the Project implementation and results, approve and monitor the initial and annual Project plans and budgets, as well as the Project operations manual;
- (ii) a Project Executive Committee chaired by the Implementing Entity's Commissioner and Secretary, Health and Family Welfare to provide

regular monitoring and approvals necessary for day-to-day implementation of the Project activities, including fiduciary clearances; and

- (iii) a PMU, with a senior officer of the Implementing Entity as Project Director, to manage implementation of the Project, with qualified staff in adequate numbers, including Financial Management and Procurement staff, all with qualifications and experience and terms of reference satisfactory to the World Bank.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09(b) of the Standard Conditions.

- (i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.
- (ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than nine months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.
- (iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than nine months after the end of such period.

2.06. **Procurement**

(a) General. All goods, works, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

(i) *International Competitive Bidding.* Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) *Other Methods of Procurement of Goods, Works and Non-consulting Services.* The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Limited International Bidding
(b) National Competitive Bidding (subject to the additional provisional agreed upon from time to time between the Recipient and the World Bank and set forth in the Procurement Plan)
(c) Shopping
(d) Force Account
(e) Direct Contracting
(f) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the World Bank
(g) Framework Agreement
(h) Procurement from United Nations Agencies
(i) Performance Based Procurement

(d) Particular Methods of Procurement of Consultants' Services

(i) *Quality- and Cost-based Selection.* Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) *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 based on Consultants' Qualifications
(c) Least Cost Selection
(d) Selection under a Fixed Budget
(e) Single Source Selection
(f) Selection of Individual Consultants
(g) Selection of United Nations Agencies

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III
Withdrawal of the Advance**

3.01. *Eligible Expenditures.* The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants' services, Training, and Incremental Operating Costs under the Activities	\$530,000	100%
(2) Works under Parts (a) and (d) of the Activities referred to in Section 2.01 of this Agreement	\$470,000	100%
TOTAL AMOUNT	1,000,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made: (a) for payments made prior to the date of countersignature of this Agreement by the Recipient; and (b) under Category (2) unless the World Bank has received satisfactory evidence that the Recipient has adopted and publicly disclosed the Safeguards Instruments.

3.03. **Refinancing Date.** The Refinancing Date is December 31, 2015.

**Article IV
Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by

such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V **Recipient's Representative; Addresses**

5.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its 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. ***Recipient's Address.*** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Department of Economic Affairs
Ministry of Finance
New Delhi 110 001
India

Facsimile: +91-11-23093422

5.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Facsimile: +1-202-477-6391

APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of the execution of the Activities or the Project, have experienced or would experience direct economic and social impacts caused by: (a) 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 persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.
2. “ESMF” means the Environmental and Social Management Framework to be prepared by the Recipient, in a manner acceptable to the World Bank, which sets out the details of measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and social impacts resulting from, or likely to result from, the carrying out of the Activities and the Project, including land acquisition and involuntary resettlement, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, and includes principles and guidelines for the preparation of any RAP (as hereinafter defined) that may be necessary to mitigate any land acquisition and involuntary resettlement impacts, and also includes the TDP (as hereinafter defined), as such framework may be revised from time to time with prior written approval of the World Bank.
3. “Implementing Entity” means Nagaland’s Department of Health and Family Welfare or any successor thereto.
4. “Incremental Operating Costs” means the incremental operating costs incurred by the PMU on account of implementation of the Activities, including car rental, operation and maintenance of vehicles, office rentals, office supplies, communication charges including internet charges, insurance costs, office administration costs, banking charges, utility charges, and salaries and allowances of incremental staff assigned to the PMU for the Project preparation, but excluding salaries of the Recipient’s civil servants.
5. “Nagaland” means the Recipient’s State of Nagaland or any successor thereto.
6. “PMU” means the Project Management Unit, established and maintained within the Implementing Entity, responsible for supporting and monitoring operational, technical, social and financial activities under the Project and referred to in Section 2.03(e)(iii) of the Annex to this Agreement.
7. “RAP” means a resettlement action plan or plans, to be prepared by the Recipient, in a manner acceptable to the World Bank and in accordance with the ESMF, in the event that any activity under the Advance and or the Project involves acquisition of land or other assets from, and resettlement and rehabilitation of, and compensation to Affected Persons.

8. "Safeguards Instruments" means, collectively, the ESMF, any RAP(s), and the TDP.
9. "Scheduled Castes" means the population groups specified as "scheduled castes" pursuant to Article 342 of the Constitution of India.
10. "Scheduled Tribes" means the population groups specified as "scheduled tribes" pursuant to Article 342 of the Constitution of India.
11. "TDP" means the Tribal Development Plan prepared in a manner acceptable to the World Bank and included in the ESMF, which provides for a program of actions, measures and policies designed to ensure that any Scheduled Castes and Scheduled Tribes living in the Project area are properly identified, receive culturally appropriate social and economic benefits and do not suffer adverse effects as a result of the implementation of the Activities or the Project.
12. "Training" means the reasonable costs of training conducted in the territory of the Recipient, including the purchase and publication of training and other materials, rental of facilities for conducting training, facilitator's fees, course fees and travel and subsistence allowances for trainers and/or trainees.