

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8601-IN

Loan Agreement

(Karnataka Urban Water Supply Modernization Project)

between

INDIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated *MAY 24* **, 2016**

LOAN AGREEMENT

Agreement dated MAY 24, 2016, between India (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred million Dollars (\$100,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are March 15 and September 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
- 2.09. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.
- (b) For purposes of this Section the following terms have the meanings set forth below:
- (i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all

(or the equivalent portions) of the loans made by the Bank to the Borrower, the Guarantor and to other borrowers guaranteed by the Guarantor that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

- (ii) “Standard Exposure Limit” means the standard limit on the Bank’s financial exposure to the Guarantor which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.
- (iii) “Total Exposure” means for any given day, the Bank’s total financial exposure to the Guarantor, as reasonably determined by the Bank.

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 Karnataka in accordance with the provisions of Article V of the General Conditions, the Project Agreement, and the Operations Manual.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following: A situation has arisen which shall make it improbable that the KUIDFC will be able to carry out its obligations under the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower’s Representative is any of the following: 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.
- 6.02. The Borrower’s Address is:

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

Facsimile:
91-11-23092039

6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD 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 Kumar 24/05/2016
Authorized Representative

Name: RAJ KUMAR

Title: JOINT SECRETARY

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By [Signature]
Authorized Representative

Name: MICHAEL HANEY

Title: ACTING COUNTRY DIRECTOR

SCHEDULE 1

Project Description

The objective of the Project is to provide city-wide access to a continuous piped water supply in the Eligible Cities in the state of Karnataka and to strengthen service delivery arrangements at the city level.

The Project consists of the following parts:

Part A. Capital Investment Program

1. Preparing service improvement plans to deliver city-wide continuous piped water supply in a cost-effective manner in the Eligible City.
2. Investing in capital works to improve water-supply systems including intake, production, transmission, distribution, pumping, and storage facilities.
3. Managing the implementation of a capital works program in the Eligible City.

Part B. Institution Building

1. Financing the Operator Fees during the Transition Period.
2. Setting up and operationalizing an SPV to manage water services in the Eligible City.
3. Establishing and implementing systems, procedures, and equipment required to create well-run service-delivery arrangements at the city level.

Part C. Technical Assistance for Sector Development

1. Carrying out a Project impact evaluation to assess city level benefits of continuous water supply under the Project at both the household level and the city level.
2. Improving social accountability in the water sector through consumer satisfaction surveys.
3. Preparing or updating plans for dam operations and maintenance and dam emergency preparedness.

Part D. Project Management

Project management and Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

1. Institutional Arrangements

- (a) To facilitate the carrying out of the Project the Borrower shall make the proceeds of the Loan available to Karnataka in accordance with the Borrower's standard arrangements for developmental assistance to the States of India. Notwithstanding the foregoing, in the event that any provision of this Agreement, including the instructions that the Bank shall have specified by notice to the Borrower pursuant to Section IV.A.1 of this Schedule, were to be found inconsistent with the Borrower's standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall govern.
- (b) The Borrower shall cause Karnataka and its government departments and agencies, including KUIDFC, its ULBs, SPVs, and the Project Operators to take all necessary steps to ensure that all Project activities are implemented in accordance with the Schedule to the Project Agreement, the Operations Manual, Dam Operations and Maintenance and Dam Emergency Preparedness Plans, the Environmental Code, the Environmental Management Plans, the Financial Management Manual, the Procurement Plan, the Resettlement Policy Framework and each Safeguards Assessment or Plan. The Borrower shall cause Karnataka to ensure that no provision of these documents is amended or waived except as the Bank shall otherwise agree in writing.
- (c) The Borrower shall cause Karnataka to make available the Loan proceeds and adequate resources from its own funds to KUIDFC in accordance with the Project Agreement and the Operations Manual.
- (d) The Borrower shall cause Karnataka to issue government orders and take other necessary legal steps to constitute a city water utility in the form of an SPV owned by a ULB in each Eligible City in accordance with a schedule agreed with the Bank and delegate all necessary water-supply and regulatory functions to the SPV.
- (e) The Borrower shall cause Karnataka to ensure that KUIDFC is adequately capitalized and operates with such resources, powers, functions, staffing, and expertise acceptable to the Bank, as required to carry out the Project and shall cause Karnataka to exercise the general oversight of the implementation of Project activities. Without limitation on the foregoing, the Borrower shall ensure that Karnataka shall have approved delegation of financial powers to ULBs, KUIDFC and each Project Operator within six months from the commencement of the start-up period of the relevant Operator Contract, as such period is defined in such contract.

- (f) The Borrower shall cause Karnataka to ensure that KUIDFC appoints a project management unit to carry out the Project with resources, powers, functions, staffing, and expertise acceptable to the Bank.
- (g) The Borrower shall cause Karnataka to ensure, or shall cause Karnataka to have KUIDFC ensure, that each ULB in an Eligible City constitutes and maintains a project implementation unit with qualified sector, financial management, procurement, environment, social, technical, and monitoring and evaluation professionals to carry out their activities under the Project.
- (h) The Borrower shall cause Karnataka to maintain the Empowered Committee constituted for the Project under terms of reference acceptable to the Bank and outlined in the Operations Manual.
- (i) The Borrower shall cause Karnataka to ensure that KUIDFC and the ULB of the Eligible City: (i) enter into an Operator Contract with the Project Operator for carrying out activities under the Project on terms and conditions satisfactory to the Bank; and (ii) thereafter implement the Project in accordance with the terms of such Operator Contract. The Borrower shall cause Karnataka to ensure that KUIDFC and the ULB do not amend, obviate or waive an Operator Contract, in any material way, without the prior written agreement of the Bank.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Borrower shall cause Karnataka to ensure that its government departments and agencies, including KUIDFC, the ULB, and the Project Operator:
 - (a) carry out the Project in accordance with the Operations Manual, Dam Operations and Maintenance and Dam Emergency Preparedness Plans, the Environmental Management Plans, the Resettlement Policy Framework, the Rehabilitation Policy Framework, each additional Safeguards Assessment or Plan, and the Environmental Code, collectively referred to as the Safeguards Documents, in each case in a manner and in substance satisfactory to the Bank; and
 - (b) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, and/or avoidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written concurrence of the Bank.

2. The Borrower shall cause Karnataka to ensure that, prior to tendering any bids for civil works under Part A of the Project, KUIDFC, the ULB, or the Project Operator, as the case may be, shall have:
 - (a) carried out a screening assessment in accordance with the principles, standards and procedures set forth in the RPF and the relevant Environmental Code;
 - (b) taken all necessary actions to: (i) avoid giving rise to, or minimize the number of, Displaced Persons; and (ii) limit and/or mitigate, to the extent possible, any negative environmental impacts of Project activities;
 - (c) whenever required under the RPF pursuant to screening process set forth in subparagraph 2. (a) above: (i) prepared and adopted a resettlement action, in a manner and substance satisfactory to the Bank; and (ii) submitted such plan to the Bank for review, and the Bank shall have notified Karnataka in writing of its no-objection thereto; and
 - (d) publicly disclosed the foregoing Safeguard Documents, in local language(s) at the relevant Project's sites.
3. The Borrower shall cause Karnataka to ensure, or shall cause Karnataka to have KUIDFC ensure, that the ULB and the Project Operator confirm that each contract for civil works under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
4. The Borrower shall cause Karnataka to:
 - (a) update or prepare Dam Operations and Maintenance Plans and Dam Emergency Preparedness Plans under Part C.3 of the Project as required by the Operations Manual, in a manner satisfactory to the Bank, by no later than one year from the Effective Date;
 - (b) submit such plans for the Bank's approval; and
 - (c) carry out any civil or remedial works on the dams in a manner satisfactory and acceptable to the Bank by no later than two years from the Effective Date.
5. The Borrower shall cause Karnataka to establish and/or strengthen, and thereafter maintain and operate throughout the period of Project implementation, a grievance redress mechanism (the "GRM") at all levels of Project implementation for the handling of any stakeholder complaints arising out of the implementation of Project activities. The operation and procedures of the GRM shall be subject to guidelines agreed between the Bank and Karnataka, as set forth in the Operations Manual.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, together with Karnataka shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall, or shall cause Karnataka to, ensure that KUIDFC prepares and furnishes to the Bank not later than 60 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works, and non-consulting services required for the Project and to be financed out of the proceeds of the Loan 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 Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan 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 Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the 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.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

Other Methods of Procurement of Goods, Works, and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to additional provisions agreed upon from time to time between the Borrower and the Bank and set forth in the Procurement Plan; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (e) Direct Contracting; (f) Force Account; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Bank; and (i) Community Participation procedures which have been found acceptable to the Bank.

C. Particular Methods of Procurement of Consultants' Services

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, namely, that Standard Request for Proposal and Procedures approved by the Bank shall be used. The Procurement Plan shall specify the circumstances under which such method may be used.

Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as

the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Civil Works under Part A of the Project	89,750,000	75%
(2) Operator Fees	7,500,000	50%
(3) Goods, non-consulting services, and consultants’ services, Training and Incremental Operating Costs for the Project	2,500,000	20%
(4) Front-end Fee	250,000	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 2.08(c) of this Agreement
TOTAL AMOUNT	100,000,000	

B. Withdrawal Conditions; Withdrawal Period

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 November 30, 2022.

SCHEDULE 3

Amortization Schedule

1. 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”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each March 15 and September 15 Beginning September 15, 2021 through September 15, 2039	2.63%
On March 15, 2040	2.69%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and

outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “Anti-Corruption 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 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
4. “Dam Operations and Maintenance and Dam Emergency Preparedness Plans” means Karnataka’s plans, to be prepared in a manner and in accordance with a time frame satisfactory to the Bank, for the safe operation and maintenance of the existing dams on which the water supply systems under the Project will rely, which plans shall include: (a) an emergency preparedness plan; and (b) an operation and maintenance plan, as each of such plans may be revised from time to time with the prior written agreement of the Bank.
5. “Eligible City” means any city or urban area in Karnataka that are found eligible by the Bank and Karnataka to participate in the Project in accordance with eligibility criteria set out in the Operations Manual.
6. “Empowered Committee” means the committee established by Karnataka under government order to guide the Project with representation from key departments involved in the Project and chaired by the Additional Chief Secretary.
7. “Environmental Code” means the code of environmental practice that the Project Operator is required to observe under the Operator Contract to ensure proper environmental management of Project activities, as may be amended from time to time with the Bank’s prior written agreement.
8. “Environmental Management Plans” means Karnataka’s plans, each disclosed on January 8, 2015 comprising measures to mitigate and minimize environmental impacts and protect environmental, community and cultural properties, as may be amended from time to time with the Bank’s prior written agreement.
9. “Fiscal Year” or “FY” means the Borrower’s and Karnataka’s fiscal year, beginning on April 1 of any calendar year and ending on March 31 of the following calendar year.
10. “GRM” means the grievance redress mechanism to be established or strengthened by the Karnataka under the Project Agreement.

11. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
12. "Incremental Operating Costs" means the incremental costs incurred by Karnataka, KUIDFC, or any ULB's SPV for carrying out the Project including salaries of contractual staff appointed and staff deputed to the Project, office rent and utilities, office and equipment maintenance and repair, vehicle operating and maintenance costs, communication and travel, and other incidental and necessary expenditures in connection with the Project.
13. "Karnataka" means the Borrower's State of Karnataka or any successor(s) thereto.
14. "KUIDFC" means Karnataka Urban Infrastructure Development Finance Corporation, a state-owned corporation registered and operating under the Borrower's Companies Act.
15. "Operations Manual" means Karnataka's manual dated February 26, 2016 with protocols, policies, and procedures for carrying out the Project including any amendments or modifications thereto which are satisfactory and acceptable to the Bank.
16. "Operator Contract" means the contract among KUIDFC, the relevant ULB, and the relevant Project Operator, in form and substance satisfactory to the Bank, for carrying out Parts A and B of the Project and including any amendments made to the contract with the Bank's written agreement.
17. "Operator Fees" means a portion of the fees financed from the Loan proceeds payable to a Project Operator during the Transition Period under the Operator Contract.
18. "Project Operator" means a contractor appointed under an Operator Contract to carry out Project activities in accordance with the Operations Manual, and the term "Project Operators" means the plural thereof.
19. "Procurement Guidelines" means 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 (revised July 2014).
20. "Procurement Plan" means Karnataka's procurement plan for the Project, dated February 29, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. "Project Agreement" means the agreement between the Bank and Karnataka of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
22. "Project Implementing Entity" means Karnataka.

23. "Resettlement Policy Framework" means Karnataka's framework disclosed on January 8, 2015 to handle any potential resettlement and rehabilitation of Project affected persons, the processing of complaints and grievance redress and other related matters, as may be amended from time to time with the Bank's prior written consent.
24. "Safeguards Assessment or Plan" means each additional assessment or plan or other ancillary document required to be prepared in accordance with the Resettlement Policy Framework, the Environmental Code, or any Environmental Management Plan.
25. "Safeguards Documents" means, collectively, the Environmental Code, each Environmental Management Plan, the Resettlement Policy Framework, each Dam Operations and Maintenance and Dam Emergency Preparedness Plan and each additional Safeguards Assessment or Plan required thereunder.
26. "SPV" means a city water utility in the form of a special purpose vehicle constituted under a ULB for an Eligible City in accordance with the Operations Manual.
27. "Training" means the reasonable costs of training activities under the Project attributable to seminars, workshops, and domestic and overseas study trips, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.
28. "Transition Period" means the period following the start-up phase described in the Operator Contract.
29. "ULB" means an urban local body for an Eligible City established pursuant to the Karnataka Municipal Corporations Act, 1976.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(b) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(c) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower

from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”