



CREDIT NUMBER 5298-IN

Financing Agreement

(Uttar Pradesh Water Sector Restructuring Project Phase II)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *October 24*, 2013

FINANCING AGREEMENT

AGREEMENT dated *October 24*, 2013, entered into 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 this 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 two hundred thirty nine million four hundred thousand Special Drawing Rights (SDR 239,400,000) (variously, "Credit" and "Financing") 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are February 15 and August 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is USD.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Recipient's State of Uttar Pradesh 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that the Uttar Pradesh Participatory Irrigation Management Act (2009) has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Uttar Pradesh to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - 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 Recipient's Representative is any of the following: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance.

6.02. The Recipient's Address is:

**Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India**

Facsimile:

+91-11-23092039

6.03. The Association's Address is:

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

Facsimile:

1-202-477-6391

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

INDIA

By h-h
Authorized Representative
Name: NILAYA MITALY
Title: JS (MI), DEW

INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Authorized Representative
Name: [Signature] Onno Ruhl
Title: Country Director, India

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the institutional and policy framework for integrated water resources management for the entire State; and to increase agricultural and water productivity by supporting farmers in targeted irrigation areas.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A: Strengthening State-Level Water Institutions and Inter-Sector Coordination

Carrying out of capacity building activities to strengthen: (a) the technical, administrative and managerial capacity of WRE when re-constituted; (b) the technical secretariat of SWARA, and SWARDAC; and (c) WALMI.

Part B: Modernization and Rehabilitation of Irrigation and Drainage Systems

Modernization and rehabilitation of irrigation and drainage systems and application of modern management practices to improve productivity of water and agriculture and to strengthen ground water management in selected priority areas, including, *inter alia*, Uttar Pradesh's Lower Ganga canal system, Sarda Sahayak canal system, and selected reservoir command systems in the Bundelkhand region.

Part C: Consolidation and Enhancement of Irrigation Institutional Reforms

Provision of support to: (a) enhance the efficiency of UPID through, *inter alia*, advanced information technology based tools, performance-based systems for staff evaluation, management information systems, and modern survey and design techniques; and (b) strengthen the participatory irrigation management approach and development of WUAs.

Part D: Enhancing Agriculture Productivity and On-Farm Water Management

Carrying out a mobilization and support program to: (a) establish farmer water schools as a learning platform to educate and inform WUAs about improved agronomic and water management practices; and (b) disseminate enhanced agriculture practices including demonstrations, adaptive trials, field level works to improve water use efficiency, and specialized equipment.

Part E: Feasibility Studies and Preparation Activities for the Next Phase

Carrying out of Project related surveys and designs to assist Uttar Pradesh in the preparation of the next phase of its water sector restructuring program.

Part F: Project Coordination and Monitoring

Provision of support to the PACT, to: (a) coordinate, facilitate and guide Project implementation, including ensuring synergy and coordination amongst activities and Participating Entities, preparing consolidated Project reports and facilitating training; and (b) monitor crop performance in selected areas during Project implementation through the use of remote sensing imagery.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements:

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Uttar Pradesh, in accordance with the Recipient's standard arrangements for development assistance to the States of India.
2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.

B. Anti-Corruption

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and shall cause Uttar Pradesh to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of six (6) months of Project implementation, and shall be furnished to the Association not later than sixty (60) days 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 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, and shall cause Uttar Pradesh to, prepare and furnish to the Association, not later than forty five (45) days after the end of each quarter, Interim Financial Reports (IFR) for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, and shall cause Uttar Pradesh to, have the Project's 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) financial year of the Recipient, commencing with the financial year in which the first withdrawal under the Project was made. The audited Project 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, 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 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 Section.
2. **Consultants' Services.** All consultants' 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 Section.
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 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

1. **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
2. **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 and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding (subject to the additional provisions agreed upon from time to time between the Recipient and the Association and set forth in the Procurement Plan)
(b) Shopping
(c) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association
(d) Direct Contracting
(e) Force Account
(f) Community Participation procedures which have been found acceptable to the Association
(g) Limited International Bidding
(h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association

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.
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 Based on Consultant's Qualifications
(c) Single Source Selection of consulting firms
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e) Least Cost Selection
(f) Selection under a Fixed Budget
(g) Selection of UN Agency- Food and Agriculture Organization of the United Nations (FAO)
(h) Selection of consultants under Indefinite Delivery Contract or Price Agreement

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 Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, works, non-consulting services, and consultants' services, training and operating costs for the Project	239,400,000	70%
TOTAL AMOUNT	239,400,000	

- (a) the term "training" means non-consultant expenditures incurred in connection with the provision of training, including, study tours and workshops, training institution fees, logistics, materials, and the cost of travel and per diem of trainers and trainees; and
- (b) the term "operating costs" means incremental costs incurred by the PACT and Participating Entities for the purposes of carrying out the

Project, including, office utilities, office and equipment insurance, office maintenance and repair, vehicle maintenance and repair, communication, travel costs and other administrative costs directly associated with, and necessary under, the Project.

B. 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, except that withdrawals up to an aggregate amount not to exceed SDR 6,000,000 equivalent may be made for payments made prior to this date but on or after October 1, 2012, for Eligible Expenditures.
2. The Closing Date is October 31, 2020.

SCHEDULE 3

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each February 15 and August 15:	
Commencing February 15, 2019 to and including August 15, 2028	1.65%
Commencing February 15, 2029 to and including August 15, 2038	3.35%

* 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. "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.
4. "EMP" means Uttar Pradesh's Environmental Management Plan, acceptable to the Association, disclosed on February 28, 2013, and set forth as an annex to the PIP (as hereinafter defined), governing all environmental aspects for Project activities under Part A of the Project for which the locations and nature of investments are known, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental impacts under Part A of the Project, as said plan may be updated from time to time by agreement between Uttar Pradesh and the Association.
5. "ESMF" means Uttar Pradesh's Environment and Social Management Framework, acceptable to the Association, disclosed on February 28, 2013, and set forth as an annex to the PIP (as hereinafter defined), describing a framework and screening criteria applicable to activities proposed to be supported under the Project, designed to maximize the social (including eligibility criteria for persons affected under the project, compensation, assistance and rehabilitation entitlements) and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, and such term includes all schedules and agreements supplemental to the ESMF, and as such ESMF may be amended from time to time by agreement between Uttar Pradesh and the Association, and this term shall include any environmental management plans (other than the EMP), social mitigation and/or resettlement plans and dam rehabilitation emergency preparedness plans prepared pursuant to the ESMF.
6. "Financial Management Manual" means Uttar Pradesh's financial management manual, acceptable to the Association, dated July 1, 2013, and set forth as an annex to the PIP (as hereinafter defined), which manual provides for the financial management obligations under the Project, as such manual may be amended from time to time by Agreement between Uttar Pradesh and the Association

7. "GAAP" means the Governance and Accountability Action Plan, dated July 16, 2013 acceptable to the Association, adopted by Uttar Pradesh, which identifies key governance issues under the Project and sets forth mitigation measures to address said issues, as said Plan may be amended from time to time by agreement between Uttar Pradesh and the Association.
8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
9. "Key Performance Indicators" means the indicators for monitoring and evaluating progress towards the attainment of Project objectives set forth in the PIP (as hereinafter defined).
10. "PACT" means the Project Activity Core Team referred to in Section I. A.2 and 3 of the Schedule to the Project Agreement.
11. "Participatory Irrigation Management Act" means Uttar Pradesh Participatory Irrigation Management Act, 2009 (UP Act No. 4 of 2009).
12. "Participating Entity" means any of the following Uttar Pradesh State Departments: UPID, UPAD, UPGWD, RSAC (as hereinafter defined); and any of the following related sectorial entities: SIRD SWARA, SWARDAC, WALMI and WRE (as hereinafter defined), participating in the implementation of the Project, or any other state department or entity which may be added during project implementation by written agreement between Uttar Pradesh and the Association/Participating Entities means the plural thereof.
13. "PIP" means the Project Implementation Plan, adopted by Uttar Pradesh, acceptable to the Association, dated March 8, 2013, which describes the detailed Project implementation and institutional arrangements, and is comprised of, among others, the EMP, the ESMF, the Financial Management Manual, the GAAP, the Key Performance Indicators, as such plan may be amended from time to time by agreement between Uttar Pradesh and the Association.
14. "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.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 8, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.23 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "RSAC" means Remote Sensing Application Center Lucknow, or any successor thereto.
17. "SIRD" means Uttar Pradesh State Institute of Rural Development, or any successor thereto.
18. "State" means Uttar Pradesh.
19. "SWARA" means Uttar Pradesh State Water Resources Agency, within the Irrigation Department of Uttar Pradesh or any successor thereto.
20. "SWARDAC" means Uttar Pradesh State Water Resources Data Analysis Center, within the Irrigation Department of Uttar Pradesh, or any successor thereto.
21. "UPAD" means Uttar Pradesh Agriculture Department or any successor thereto.
22. "UPGWD" means Uttar Pradesh Ground Water Department or any successor thereto.
23. "UPID" means the Uttar Pradesh Irrigation Department, or any successor thereto.
24. "WALMI" means Water and Land Management Institute, an institute duly established under the laws of Uttar Pradesh, or any successor thereto.
25. "WRE" means the Water Regulatory Entity, referred to in Section I.A.5 of the Schedule to the Project Agreement.
26. "WUAs" means Water User Associations duly established under the laws of Uttar Pradesh.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be

computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).

