

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 5927-IN

Financing Agreement

(Nagaland Health Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *JANUARY 16*, 2017

CREDIT NUMBER 5927-IN

FINANCING AGREEMENT

AGREEMENT dated JANUARY 16, 2017, entered into between INDIA ("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 — CREDIT

- 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 the amount of forty-eight million Dollars (\$48,000,000) (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 Credit Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Interest Charge payable by the Recipient for each Interest Period shall be at a rate equal to the Reference Rate for the Credit Currency plus the Fixed Spread; provided, however, that the Interest Charge payable shall in no event be less than zero percent (%) per annum.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollar.

ARTICLE III — 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 Recipient's state of Nagaland 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; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. 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.
- 5.02. 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

5.03. 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  16/01/2017
Authorized Representative

Name: RAJ KUMAR

Title: JOINT SECRETARY

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By 
Authorized Representative

Name: GENEVIEVE CONNORS

Title: ACTING COUNTRY DIRECTOR, INDIA

SCHEDULE 1

Project Description

The objectives of the Project are to improve health services and increase their utilization by communities in targeted locations in Nagaland.

The Project consists of the following parts:

Part 1: Community Action for Health and Nutrition

Strengthening the capacity of selected Village Health Committees to oversee, manage and improve health and nutrition services and their utilization through, *inter alia*, the provision of Health and Nutrition Incentives to selected Village Health Committees.

Part 2: Health System Development

Improving the management and delivery of health services in Nagaland through selected health facility-specific and system-wide investments, including *inter alia*: (a) investment in: (i) off-grid electrical power solutions to provide reliable electricity supply in targeted health facilities; and (ii) water supply and sanitation system repair and upgrading, including to piping and storage facilities, roof-water harvest systems and septic tanks; and (b) targeted interventions for the development of key health system components, including supply chain management systems, information and communications technology, health human resource strategies, monitoring and evaluation and project management.

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 Nagaland, 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 Recipient and the Association to accomplish the purposes of the Financing.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month 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 prepare and furnish to the Association not later than forty five (45) 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 Association.
3. The Recipient shall 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) fiscal year of the Recipient. The audited Financial Statements for each such period shall be

furnished to the Association 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 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 methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions agreed to, from time to time, between the Recipient and the Association and referred to in the Procurement Plan; (c) Shopping; (d) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; and (g) Procurement from UN agencies.

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 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 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 Credit Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for the Project	32,000,000	100%
(2) Health and Nutrition Incentives	15,000,000	100% of disbursed amounts
(3) Refund of Preparation Advance	1,000,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	48,000,000	

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, except that withdrawals up to an aggregate amount not to exceed \$5,000,000 may be made under Category 1 and Category 2 for payments made prior to this date but on or after November 1, 2015, for Eligible Expenditures.
2. The Closing Date is March 31, 2023.

SCHEDULE 3
Repayment Schedule

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each June 15 and December 15: Commencing June 15, 2022 to and including December 15, 2041	2.5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid.

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. "Credit Currency" means the currency in which the Credit is denominated.
5. "Displaced Persons" means persons who, on account of the implementation of the Project, have experienced or would experience direct economic and/or 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; and (iii) loss of income source 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 impacts on the livelihood of such persons.
6. "Environmental Management Plan" and "EMP" mean the Recipient's Environmental Management Plan, acceptable to the Association, adopted and disclosed on November 22, 2014, designed to maximize the social and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, and such term includes all schedules and agreements supplemental to such EMP; as such EMP may be amended from time to time by written agreement between the Recipient and the Association.
7. "Financial Center" means the principal financial center for the Dollar.
8. "Fixed Spread" means the Association's fixed spread for the Credit Currency in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of this Agreement and expressed as a percentage per annum.
9. "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.

10. "Health and Nutrition Action Plan" means each Village Health Committee's annual action plan designed to attain agreed health and nutrition performance indicators in the community, which plans are subject to an Incentive Agreement and meet the requirements set out in the POM. "Health and Nutrition Action Plans" means more than one such plan.
11. "Health and Nutrition Incentive" means a cash grant made or proposed to be made out of the proceeds of the Financing under Part 1 of the Project to a selected Village Health Committee, pursuant to an Incentive Agreement meeting the requirements of Section I.C.1(c) of the Project Agreement, in an amount of up to twenty thousand Dollar (\$20,000) equivalent per committee (and/or any other amount agreed from time to time in writing with the Association), per annum, for the carrying out of selected activities aimed at improving health and nutrition-related services and practices, as further elaborated in the POM; and "Health and Nutrition Incentives" means all such incentives.
12. "Incentive Agreement" means each agreement referred to in Section I.C.1(c) of the Schedule to the Project Agreement to be entered into between the Village Health Committee on the one hand, and the Project Implementing Entity, through the PMU on the other hand, for the provision of Health and Nutrition Incentives to selected Village Health Committees. "Incentive Agreements" means more than one such agreement.
13. "Incremental Operating Costs" means incremental costs incurred by the PMU on account of Project implementation, support and management, including office rent and utilities, office maintenance and repair, vehicle maintenance and repair, communication, advertising expenses and other administrative costs directly associated with, and necessary under, the Project.
14. "Ineligible Expenditures" means expenditures listed as ineligible for financing under the project in the negative list included in the POM.
15. "Interest Period" means the initial period from and including the date of this Agreement to but excluding the first Payment Date occurring thereafter, and after the initial period, each period from and including a Payment Date to but excluding the next following Payment Date.
16. "LIBOR" means for any Interest Period, the London interbank offered rate for deposits in the relevant Credit Currency for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page as of 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period.
17. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the

letter agreement signed on behalf of the Association on October 17, 2014 and on behalf of the Recipient on November 3, 2014.

18. "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).
19. "Procurement Plan" means the Recipient's procurement plan for the Project, dated July 14, 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.
20. "Project Implementing Entity" means the State of Nagaland.
21. "Project Management Unit" and "PMU" mean the Project Management Unit referred to in Section I.A.1(b) of the Schedule to the Project Agreement.
22. "Project Operational Manual" and "POM" mean the Project Implementing Entity's Operational Manual, including all annexes thereto, acceptable to the Association, dated February 3, 2015, which describes detailed Project implementation and institutional arrangements, including, inter alia, the procedures and criteria for the selection of the Village Health Committees and the terms and conditions and payment procedures for the Health and Nutrition Incentives, as such manual may be amended from time to time by agreement between the Recipient and the Association.
23. "Reference Rate" means, for any Interest Period:
 - (a) LIBOR. If such rate does not appear on the Relevant Rate Page, the Association shall request the principal London office of each of four major banks to provide a quotation of the rate at which it offers six-month deposits in Dollar to leading banks in the London interbank market at approximately 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period. If at least two such quotations are provided, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the quotations. If less than two quotations are provided as requested, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the rates quoted by four major banks selected by the Association in the relevant Financial Center, at approximately 11:00 a.m. in the Financial Center, on the Reference Rate Reset Date for the Interest Period for loans in Dollar to leading banks for six months. If less than two of the banks so selected are quoting such rates, the Reference Rate for Dollar for the Interest Period shall be equal to the Reference Rate in effect for the Interest Period immediately preceding it; and

(b) if the Association determines that LIBOR has permanently ceased to be quoted for Dollar, such other comparable reference rate for the relevant currency as the Association shall reasonably determine.

24. "Reference Rate Reset Date" means the day two London Banking Days prior to the first day of the relevant Interest Period (or in the case of the initial Interest Period, the day two London Banking Days prior to the first or fifteenth day of the month in which this Agreement is signed, whichever day immediately precedes the date of this Agreement; provided that if the date of this Agreement falls on the first or fifteenth day of such month, the Reference Rate Reset Date shall be the day two London Banking Days prior to the date of this Agreement.
25. "Relevant Rate Page" means the display page designated by an established financial market data provider selected by the Association as the page for the purpose of displaying the Reference Rate for deposits in the Credit Currency.
26. "Resettlement Action Plan" means each resettlement action plan, as may be required to be prepared by the Recipient in accordance with the Resettlement Policy Framework and acceptable to the Association, which sets out the: (a) principles and procedures governing the acquisition of land required for the Project; (b) identification of Displaced Persons as a result of Project activities; (c) actions and measures for providing Displaced Persons with resettlement and rehabilitation assistance and/ or the payment of compensation to Displaced Persons; (d) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Project activities; and (e) principles and procedures for consultation, grievance redress, reporting and monitoring requirements, as said plan may be revised from time to time by written agreement between the Recipient and the Association. "Resettlement Action Plans" means more than one such plan.
27. "Resettlement Policy Framework" means the Recipient's resettlement and rehabilitation policy framework for the Project adopted and disclosed on November 22, 2014 acceptable to the Association, which sets out the policies and procedures for addressing adverse temporary or permanent social impacts resulting, or likely to result, from the carrying out of the Project, including for the preparation of Resettlement Action Plans as may be required for Project activities, as said framework may be revised from time to time by written agreement between the Recipient and the Association.
28. "Safeguards Instruments" means, collectively, the Environmental Management Plan, Social Management Framework, Tribal Development Plan, the Resettlement Policy Framework and the Resettlement Action Plan.
29. "Social Management Framework" means the Recipient's Social Management Framework adopted and disclosed on November 22, 2014, acceptable to the

Association, comprised of the Resettlement Policy Framework and the Tribal Development Plan, as said framework may be amended from time to time by written agreement between the Recipient and the Association.

30. "State of Nagaland" and "Nagaland" mean one of the Recipient's states and which is the Project Implementing Entity.
31. "Training" means non-consultant expenditures incurred by the PMU in connection with the carrying out of workshops and the provision of training required for Project implementation, including training institution fees, logistics, materials, study tours, and the cost of travel and per diem of trainers and trainees.
32. "Tribal Development Plan" means the Recipient's tribal action plan, adopted and disclosed on November 22, 2014, which, *inter alia*, delineates strategies to increase access to healthcare services and increase their utilization by vulnerable groups including tribal populations and to minimize and mitigate any potential adverse effects of the Project, including through a process of: (a) free, prior and informed consultation; (b) sensitivity to the socio-cultural traditions of the tribal communities of Nagaland; (c) community-based implementation; (d) culturally-appropriate information, education and communication strategies; and (e) special attention to the needs of poorer tribal communities, as such plan may be updated from time to time by written agreement between the Recipient and the Association. "Tribal Development Plans" means more than one such plan.
33. "Village Health Committee" means a committee established pursuant to the Nagaland Communitisation of Public Institutions and Services Act, 2002, which has been selected to receive a Health and Nutrition Incentive pursuant to the POM. "Village Health Committees" means more than on such committee.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of Section 3.01(b) is modified to read as follows:

"The Commitment Charge shall be computed using a day-count convention reasonably determined by the Association".
2. Section 3.02 is modified to read as follows:

"Section 3.02. 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 Charges shall be computed using a day-count convention reasonably determined by the Association.”

3. Section 3.03 is modified by deleting paragraph (b) in its entirety and amending the remaining provision to read as follows:

“Section 3.03. *Repayment of the Credit*

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement.”

4. Section 3.04 is modified to read as follows:

“Section 3.04. *Prepayment*

(a) After giving not less than forty-five days' notice to the Association, the Recipient may repay the Association in advance of maturity, as of a date acceptable to the Association, all or any part of the principal amount of one or more maturities of the Credit specified by the Recipient, provided the Recipient has made payments due on the Credit as at such date, including any prepayment premium calculated pursuant to paragraph (b) of this Section.

(b) The prepayment premium payable under paragraph (a) of this Section shall be an amount reasonably determined by the Association to represent any gains or losses to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit.”

5. A new Section 3.11 is added to read as follows:

“Section 3.11. *Cancellation Premium on Payment Failure, Cancellation, Suspension, Acceleration or Refund of the Credit*

The Recipient shall pay to, or be entitled to receive from, the Association a cancellation premium that the Association shall reasonably determine represents any losses or gains to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit as a result of: (i) the Recipient's failure to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association under this Agreement; (ii) any cancellation, suspension or acceleration of the Credit under Article VI of these General Conditions; or (iii) any refund of the Credit. The Recipient shall pay any cancellation premium due to the Association

not later than sixty days after notice shall have been given by the Association.”

6. Paragraph 28 of the Appendix (“Financing Payment”) is modified by substituting the words “the Service Charge” with the words “the Interest Charge”.
7. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the charge specified in the Financing Agreement for the purpose of Section 3.02.”
8. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by substituting the words “Service Charges” with the words “Interest Charges”.
9. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is deleted in its entirety.