

**GPOBA GRANT NUMBER TF058243, TF058244 and TF058245-IN**

***Global Partnership on Output-based Aid***  
**Grant Agreement**

**(Andhra Pradesh Rural Community Water Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**(acting as Administrator of the Global Partnership on Output-based Aid)**

**NAANDI FOUNDTION, INDIA**

**Dated May 16, 2007**

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID:  
GPOBA GRANT NUMBER TF058243, TF058244 and TF058245-IN**

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID  
GRANT AGREEMENT**

AGREEMENT dated May 16, 2007, entered into between:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of the Global Partnership on Output-based Aid (“GPOBA”); and NAANDI FOUNDATION, INDIA (“Recipient”).

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”) 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 Standard Conditions or in this Agreement.

**Article II  
The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall, and shall cause Water Health India to, carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III  
The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eight hundred fifty thousand United States Dollars (\$850,000) ("Grant") to assist in financing the Project. The total Grant amount will be financed as follows:

(a) two hundred eighty three thousand three hundred thirty four United States Dollars (\$283,334) by the International Finance Corporation (IFC) (TF058243);

(b) two hundred eighty three thousand three hundred thirty three United States Dollars (\$283,333) by the United Kingdom Department for International Development (DFID) (TF058244); and

(c) two hundred eighty three thousand three hundred thirty three United States Dollars (\$283,333) by the Government of Netherlands, Ministry of Development Cooperation (DGIS) (TF058245).

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV  
Additional Remedies**

4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:

(a) *Ineligibility.* IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.

(b) The Operational Manual or the Memorandum of Understanding or any Performance Agreement has been amended, waived or abrogated so as to: (i) affect materially and adversely the implementation or the achievement of the objectives, of the Project; or (ii) change the output-based approach of the Project design without prior agreement of the World Bank.

(c) The Companies Act or any of the Panchayat Raj Acts has been amended, suspended, abrogated, repealed or waived so as to (i) affect materially and adversely the ability of Water Health India or any Village Panchayat to perform any of its obligations under the Memorandum of Understanding, or its respective Performance Agreement, as the case maybe; or (ii) affect materially and adversely the implementation or the

achievement of the objectives, of the Project; or (ii) change the output-based approach of the Project design without prior agreement of the World Bank

(d) As a result of events which have occurred after the date of the Grant Agreement, an extraordinary situation has arisen which makes it improbable that: (i) Water Health India will be able to perform its obligations under the Memorandum of Understanding or any Performance Agreement; or (ii) any Village Panchayat will be able to perform its obligations under its respective Performance Agreement.

#### **Article V Effectiveness; Termination**

- 5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the condition specified below has been satisfied.
- (a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary corporate action.
  - (b) The Memorandum of Understanding referred to in paragraph C.1(a) of Section I of Schedule 2 to this agreement has been executed on behalf of the Recipient and Water Health India.
- 5.02 As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing: (a) on behalf of the Recipient, that this Agreement and the Memorandum of Understanding referred to in Section 5.01(b) have been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; (b) on behalf of Water Health India, that the Memorandum of Understanding referred to in Section 5.01(b) have been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 5.03 This Agreement and all obligations of the parties under this Agreement shall terminate if this Agreement shall not have entered into effect by ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section.

#### **Article VI Recipient's Representative; Addresses**

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Vice President or any of its Directors.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Naandi Foundation  
502 Trendset Tower, Road No. 2  
Banjara Hills, Hyderabad – 500 034

Cable:	Telex:	Facsimile:
-	-	91-40-23556537

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

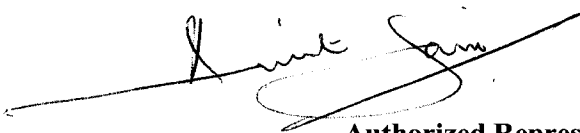
Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Washington D.C., as of the day and year first above written.

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
acting as administrator of the  
Global Partnership on Output-based Aid**

By   
**Authorized Representative**

**NAANDI FOUNDATION, INDIA**

By   
**Authorized Representative**

## SCHEDULE 1

### Project Description

The objective of the Project is to provide safe drinking water to poor population of the coastal area of Andhra Pradesh through, *inter-alia*, development of approximately 25 community supply water schemes for the purpose of benefiting about 75000 poor people in various districts of Andhra Pradesh.

The Project consists of the following parts:

1. Constructing, Installing, Commissioning and Operating Community Supply Water Schemes

Constructing, installing and commissioning community supply water schemes (“CSWSs”) consisting of ultraviolet (UV) filter water plants and storage tanks, registering households to CSWSs, operating CSWSs and verifying usage of CSWSs, in approximately 25 villages in Krishna, Guntur and West Godavari districts of Andhra Pradesh.

2. Promotion and Awareness on Safe Drinking Water

Undertaking campaigns and developing and implementing IEC strategies for the purpose of, *inter-alia*, educating rural communities in Andhra Pradesh on the benefits of safe drinking water and promoting the use of treated water from CSWSs.

3. Engaging the services of a consultant(s) for carrying out, *inter alia*, technical verification, evaluation and monitoring of activities and outputs of Parts 1 and 2 of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

##### A. Operational Manual and Environmental and Social Framework

1. The Recipient shall, in a manner satisfactory to the World Bank and throughout the period of Project Implementation, ensure that: (a) the Project is carried out in accordance with the Operational Manual and the Environmental and Social Framework; and (b) the Operational Manual, or the Environmental and Social Framework, or any portion thereof, is not amended, waived, abrogated or revised without the prior approval of the World Bank.

##### B. Institutional Arrangements

1. The Recipient shall, throughout the period of Project implementation, maintain an administrative unit responsible for, *inter-alia*, financial management, reporting and accounting in form and with staffing and resources satisfactory to the World Bank.
2. For the purpose of carrying out Part 3 of the Project, the Recipient shall engage within three months of the Effective Date, and thereafter maintain throughout the period of Project implementation, an independent verification agent having terms of reference approved by the World Bank who shall be responsible for, *inter-alia*, technical verification, evaluation and monitoring of the activities and the outputs under Parts 1 and 2 of the Project.

##### C. Memorandum of Understanding and Performance Agreement

1. For the purposes of carrying out Parts 1 and 2 of the Project, the Recipient shall in accordance with the provisions of the Operational Manual and in a manner satisfactory to the World Bank:
  - (a) execute a Memorandum of Understanding with Water Health India in form and substance satisfactory to the World Bank and including the terms and conditions set forth in Appendix 2 to this Agreement; and (ii) cause Water Health India to carry out its respective activities under Parts 1 and 2 of the Project in accordance with the provisions of the Memorandum of Understanding and this Agreement; and
  - (b) (i) select Project Villages which meet the eligibility criteria set forth in the Operational Manual including the criteria set out in Appendix 3 to this Agreement;

(ii) execute a tripartite Performance Agreement with Water Health India and the Village Panchayat of each Project Village selected pursuant to the provisions of paragraph (i) of this paragraph (b) in form and substance satisfactory to the World Bank and including the terms and conditions set forth in Appendix 4 to this Agreement; and

(iii) cause Water Health India and each Village Panchayat to carry out their respective activities under Parts 1 and 2 the Project in accordance with the provisions of their respective Performance Agreement and this Agreement.

2. The Recipient shall take all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Water Health India and each Village Panchayat to perform all of their respective obligations set forth in this Agreement, the Memorandum of Understanding and their respective Performance Agreement, as the case may be. The Recipient shall not take or permit to be taken any action which would prevent or interfere with such performance.
3. The Recipient shall exercise its rights under the Memorandum of Understanding and each Performance Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Memorandum of Understanding or any of its provisions, or any Performance Agreement or any of its provisions.

**D. Land**

1. The Recipient shall:
  - (a) ensure that any private lands needed for any work under the Project shall be provided by the owner of such land in a voluntary manner, in accordance with arrangements satisfactory to the World Bank;
  - (b) not commence any work in any locations for which clear title is not already available;
  - (c) to the extent practicable, ensure that any land to be made available by the owner in a voluntary manner shall be free from any encumbrances and encroachment and that no involuntary resettlement arises from the use of such land under the Project; and
  - (d) ensure that all voluntary transfers are documented and certified in a manner satisfactory to the World Bank and are verified by the independent verification agent referred to in paragraph B.2 of Section I of this Schedule 2.

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

**A. Project Reports; Output Verification Reports; Completion Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and the Environmental and Social Management Framework and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in Appendix 5 to this Agreement. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
2. The Recipient shall, in respect of each Eligible Village, (a) cause the independent verification agent referred to in paragraph B.2 of Section I of this Schedule, to prepare Output Verification Reports, of scope and detail satisfactory to the World Bank; and (b) furnish such Output Verification Reports to the World Bank in accordance with the provisions of Section IV of this Schedule 2 and the Operational Manual.
3. The Recipient shall prepare three Completion Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. First Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. The second and third Completion Reports shall be furnished to the World Bank not later than one month after the expiry of one year and two years respectively from the Closing Date.

**B. Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim un-audited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 (“Procurement Guidelines”), and Operational Memorandum from James Adams dated November 7, 2005, *Application of Paragraph 3.13 of the Procurement Guidelines to Cases Involving Incumbent Concessionaires*, in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 (“Consultant Guidelines”) in the case of consultants’ services; and
  - (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.
2. **Definitions.** The capitalized terms used below in 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which the World Bank agrees to meet the requirements set forth in the Procurement Guidelines for their use: (a) Shopping; (b) Direct Contracting; (c) Force Account; (d) established practices of the Recipient and WHI which have been found acceptable to the World Bank; and (e) Community Participation procedures which have been found acceptable to the World Bank.

**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 assignments 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; (f) Established Private or Commercial Practices which have been found acceptable to the World Bank; (g) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (h) Selection of Individual Consultants; and (i) Sole Source Procedures for the Selection of Individual Consultants.

**D. Review by the World Bank of Procurement Decisions**

1. Except as the World Bank shall otherwise determine by notice to the Recipient, each contract for goods, works or services procured by the Recipient, including the contract for procurement of Water Health India, shall be subject to Prior Review by the World Bank. All other contracts, including contracts procured by Water Health India for carrying out its respective activities under Parts 1 and 2 of the Project, shall be subject to Post Review by the World Bank.

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant 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 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 Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)			Percentage of Expenditures to be Financed (inclusive of Taxes)
	TF058243	TF058244	TF058245	
Goods, works, consultants' services, campaigns, training, workshops and IEC for Parts 1 and 2 of the Project	266,667	266,666	266,667	20% of Eligible Village Expenditures after the First Conditions have been met, 60% of Village Eligible Expenditures after the Second Condition has been met and 20% of Eligible Village Expenditures after the Third Condition has been met.
Consultants' services for Part 3 of the Project	16,667	16,667	16,666	100%
<b>TOTAL AMOUNT</b>	283334	283333	283333	

3. For the purposes of this Section IV, the following terms have the following meanings:
- (a) the term "Eligible Village Expenditures" means an amount of \$32000 for each Eligible Village (as defined in Appendix 1 to this Agreement) for activities under Parts 1 and 2 of the Project as described in Schedule 1 to this Agreement.
  - (b) the term "First Conditions" means the conditions set forth in paragraph A.4(a) of this Section IV.

- (c) the term “Second Condition” means the condition set forth in paragraph A.4(b) of this Section IV.
  - (d) the term “Third Condition” means the condition set forth in paragraph A.4(c) of this Section IV.
4. (a) Withdrawals for the first 20% of Eligible Village Expenditures referred to in the table in paragraph A.2 of this Section IV shall be made after the Recipient shall have: (i) through WHI and in accordance with the Memorandum of Understanding, constructed, installed and commissioned a Water Purification Plant in such Eligible Village; and (ii) furnished Output Verification Reports evidencing such construction and installation, all in a manner and substance satisfactory to the World Bank.
- (b) Withdrawals for 60% of Eligible Village Expenditures referred to in the table in paragraph A.2 of this Section IV shall be made after the Recipient shall have furnished Output Verification Reports to the World Bank evidencing that a minimum of 500 households have registered for paid usage of water from the Water Purification Plant in such Eligible Village, all in a manner and substance satisfactory to the World Bank.
- (c) Withdrawals for the last 20% of Eligible Village Expenditures referred to in the table in paragraph A.2 of this Section IV shall be made after the Recipient shall have furnished Output Verification Reports to the World Bank evidencing that the registered households referred to in (b) above have continued usage of paid water for at least three months from the Water Purification Plant in such Eligible Village, all in a manner and substance satisfactory to the World Bank.

**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 \$80,000 equivalent may be made for payments made prior to this date but on or after December 12, 2006, for Eligible Expenditures under Categories 1 and 2.
- 2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2009.

## APPENDIX 1

### DEFINITIONS:

1. "Andhra Pradesh" means the State of Andhra Pradesh in India, including any successor or successors thereto.
2. "Bureau of Indian Standards" means the Bureau of Indian Standards established under the Bureau of Indian Standards Act, 1986, as amended from time to time.
3. "Companies Act" means the Indian Companies Act of 1956 (Act 1 of 1956) and includes any rules or regulations issued under the said Act, as amended from time to time.
4. "Effective Date" means the date on which this Agreement enters into effect pursuant to Section 5.01(a) thereof.
5. "Eligible Village" means a Project Village (as defined hereinafter) which meets the eligibility criteria set forth in Appendix 3 to this Agreement and with whose Village Panchayat the Recipient has entered into a Performance Agreement in accordance with the provisions of paragraph C.1(b)(ii) of Section I of Schedule 2 to this Agreement which Performance Agreement has not been waived, amended, abrogated or terminated.
6. "Environment and Social Management Framework" means the Recipient's framework dated January 23, 2007 which sets out, *inter-alia*, measures for preventing, minimizing and mitigating environmental risks under the Project and strategies for improving benefits to disadvantaged groups, as such framework may be amended from time to time with the prior approval of the World Bank.
7. "Guntur" means the Guntur district in Andhra Pradesh and includes its successor(s).
8. "IEC" means information, education and communication.
9. "Krishna" means the Krishna district in Andhra Pradesh and includes its successor(s).
10. "Memorandum of Understanding" means the memorandum of understanding entered into between the Recipient and Water Health India in accordance with the provisions of paragraph C.1(a)(i) of Section I of Schedule 2 to this Agreement.

11. "Operational Manual" means the Recipient's manual dated May 15, 2007 which sets out, *inter-alia*, the arrangements, procedures and time schedules for implementation of the Project, as such manual may be amended from time to time with the prior approval of the World Bank.
12. "Output Verification Reports" means the reports evidencing, *inter-alia*, verification of outputs under Parts 1 and 2 of the Project and as referred to in paragraph A.2 of Section II of Schedule 2 to this Agreement.
13. "Panchayat Raj Acts" means the Andhra Pradesh Panchayat Raj Act of 1994 and other Acts of Andhra Pradesh applicable to Village Panchayats in Andhra Pradesh and includes rules and regulations issued under said Acts, as amended from time to time.
14. "Performance Agreement" means the tripartite agreement amongst the Recipient, Water Health India and the Village Panchayat of a Project Village which meets the eligibility criteria set forth in Appendix 3 to this Agreement executed pursuant to paragraph C.1(b)(ii) of Section 1 of Schedule 2 to this Agreement.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 15, 2007 included in the Operational Manual and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. "Project Village" means any village in Krishna, Guntur or West Godavari (as defined hereinafter) districts of Andhra Pradesh, and includes its successor(s).
17. "Village Panchayat" means the gram panchayat of a Project Village established under the Andhra Pradesh Panchayat Raj Act of 1994.
18. "Water Health India" means the Water Health India Private Limited which is a company incorporated under the Indian Companies Act of 1956 having its registered office at Lentin Chambers, 4<sup>th</sup> Floor, Dalal Street, Mumbai, India.
19. "Water Purification Plant" means the community supply water scheme consisting of ultra violet filter water purification plant with associated storage tank.
20. "West Godavari" means the West Godavari district in Andhra Pradesh and includes its successor(s).

## **APPENDIX 2**

### **Memorandum of Understanding**

Except as the World Bank shall otherwise agree, the Memorandum of Understanding between the Recipient and Water Health India shall, *inter-alia*, include the following provisions, wherein:

1. The Recipient shall be responsible for, *inter-alia*, coordinating implementation of Project activities, implementation of activities under Part 2 of the Project, collection of user fee for usage of water from CSWSs constructed and installed under Part 1 of the Project.
2. The Water Health India shall, *inter- alia*:
  - (a) declare its commitment to the objectives of the Project as set forth in Schedule 1 to this Agreement, and to that end, shall agree to undertake implementation of its respective activities under the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and to provide, promptly as needed, the funds, facilities, services and other resources required therefore;
  - (b) agree to carry out its respective activities under the Project in accordance with the provisions of the Operational Manual, the Environmental and Social Framework and this Agreement;
  - (c) agree to enter into a tripartite Performance Agreement in accordance with the provisions of paragraph C.1(b)(ii) of Section 1 of Schedule 2 to this Agreement;
  - (d) agree and undertake to construct, install and maintain CSWSs under Part 1 of the Project in each Eligible Village;
  - (e) agree to finance at least sixteen (16) percent of the total expenditures required for relevant activities under Parts A and B of the Project in each Eligible Village, or such other percentage satisfactory to the Recipient;
  - (f) agree to carry out all procurement including procurement of goods, works, and consultants' services required for implementation of its activities under the Project in accordance with the provisions of Section III of Schedule 2 to this Agreement;
  - (g) in respect of the Project, agree to maintain a financial management system, prepare financial statements, carry out audits of its financial statements and

furnish reports thereof, all in a manner, form and substance satisfactory to the Recipient;

- (h) agree to provide operational performance guarantee in respect of CSWS in each Eligible Village in accordance with the provisions of the Operational Manual;
- (i) agree to inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the objectives of the Project, or the performance of its obligations under the Memorandum of Understanding;
- (j) from time to time, at the request of the World Bank:
  - (i) undertake to exchange views with the World Bank with regard to the progress of carrying out its activities under the Project, its performance under the Memorandum of Understanding;
  - (ii) furnish all information related to its activities under the Project and its performance under the Memorandum of Understanding; and
  - (iii) participate in the reviews of Project implementation and assist the Recipient in preparation of Project Reports referred to in paragraph A of Section II of Schedule 2 to this Agreement; and
- (k) agree that the Recipient may suspend or terminate the Memorandum of Understanding upon failure of Water Health India to perform any of its obligations under the Memorandum of Understanding.

### APPENDIX 3

#### Eligibility Criteria

Without prejudice to the generality of paragraph C.1(b)(i) of Section I of Schedule 2 to this Agreement and the provisions of the Operational Manual, the eligibility criteria referred to in paragraph C.1(b)(i) of Section I of Schedule 2 to this Agreement and paragraph 5 of Appendix 1 to this Agreement shall include the following:

1. Confirmation that there are no other purified drinking water projects planned or in the process of being constructed in the village (or within supply distance of village)
2. Presence of a water source (surface water, ground water etc) in the Project Village.
3. Presence of severe fecal contamination (above the permissible limit of 100 MPN/ml prescribed by the World Health Organization) of drinking water resources in the Project Village.
4. Confirmation evidenced by water test reports that the existing water quality in the Project Village can be purified by ultra violet waterworks technology to meet the bacterial contamination standards set by the Bureau of Indian Standards.
5. Willingness and ability of the Village Panchayat of the Project Village to opt for a CSWS under the paid water usage scheme, including willingness and ability to provide a raw water source, to make in-kind contribution of land for installation of Water Purification Plant, and to enter into Performance Agreement in accordance with the provisions of paragraph C.1(b)(ii) of Section I of Schedule 2 to this Agreement.
6. Existence of a segment of population in the Project Village which is capable of paying or obtaining 20% contribution of the total expenditures required for relevant activities under Parts 1 and 2 of the Project in such Project Village.
7. Ability and willingness of the Village Panchayat of the Project Village to:
  - (a) allow the Recipient and its authorized representatives to collect user fees for CSWS;
  - (b) allow the Recipient to carry out culturally-appropriate promotional activities in the Project Village including access to schools and school children for promotion of safe drinking water, and to establish an enabling environment for promotion of safe water on a user fee mode; and

- (c) mobilize public support and take measures for reducing and preventing activities leading to contamination of the water sources and undertake the up upkeep and maintenance of the raw water source.

#### **APPENDIX 4** **Performance Agreement**

Except as the World Bank shall otherwise agree, each Performance Agreement among the Recipient, Water Health India and the Village Panchayat shall, *inter-alia*, include the following provisions, wherein:

1. The Recipient shall agree to assist the Village Panchayat and WHI in ensuring an orderly and effective transfer of assets as provided in paragraph 3(d) of this Appendix 4.
2. The Village Panchayat shall, *inter-alia*:
  - (a) declare its commitment to the objectives of the Project as set forth in Schedule 1 to this Agreement, and to that end, shall agree to undertake implementation of its respective activities under the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and to provide, promptly as needed, the funds, facilities, services and other resources required therefore;
  - (b) agree to provide unencumbered access to a raw water source for the purposes of construction and installation of a CSWS under Part 1 of the Project;
  - (c) agree to provide electricity at a tariff determined by the Recipient and the World Bank for the purposes of, *inter-alia*, operation of the Water Purification Plant in the Project Village;
  - (d) agree to contribute twenty percent (20%) of the total expenditures required for the relevant activities under Parts 1 and 2 of the Project, or such other percentage satisfactory to the Recipient;
  - (e) agree to inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the objectives of the Project, or the performance of its obligations under its respective Performance Agreement;
  - (f) from time to time, at the request of the World Bank:
    - i. undertake to exchange views with the World Bank with regard to the progress of carrying out its activities under the Project, its performance under the Performance Agreement and other matters relating to the purposes of the Grant;
    - ii. furnish all information related to its activities under the Project and its performance under the Performance Agreement; and

- iii. participate in the reviews of Project implementation and assist the Recipient in preparation of Project Reports referred to in paragraph A of Section II of Schedule 2 to this Agreement; and
  - (j) agree that the Recipient may suspend or terminate the Performance Agreement upon failure of Village Panchayat to perform any of its obligations under the Performance Agreement.
3. The Water Health India shall, *inter-alia*:
- (a) declare its commitment to the objectives of the Project as set forth in Schedule 1 to this Agreement, and to that end, shall agree to undertake implementation of its respective activities under the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and to provide, promptly as needed, the funds, facilities, services and other resources required therefore;
  - (b) agree to carry out its respective activities under the Project in accordance with the provisions of the Operational Manual and this Agreement;
  - (c) agree to, *inter alia*, construct, install and maintain CSWS under Part 1 of the Project in the Project Village;
  - (d) agree to transfer, within a period of seven years from the date of the Performance Agreement, all assets, documents, manuals, systems and information related to the CSWS under the Project to the Village Panchayat of the Project Village to enable such panchayat to fully operate the CSWS, all in a manner satisfactory to the Recipient;
  - (e) agree to finance at least sixteen (16) percent of the total expenditures required for relevant activities under Parts 1 and 2 of the Project in the Project Village;
  - (f) in respect of the Project, agree to maintain a financial management system, prepare financial statements, carry out audits of its financial statements and furnish reports thereof, all in a manner, form and substance satisfactory to the Recipient;
  - (g) agree to provide operational performance guarantee in respect of CSWS in the Project Village in accordance with the provisions of the Operational Manual;

- (h) agree to inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the objectives of the Project, or the performance of its obligations under the Performance Agreement;
- (i) from time to time, at the request of the World Bank:
  - (i) undertake to exchange views with the World Bank with regard to the progress of carrying out its activities under the Project, its performance under the Performance Agreement and other matters relating to the purposes of the Grant;
  - (ii) furnish all information related its activities under the Project or its performance under the Performance Agreement; and
  - (iii) participate in the reviews of Project implementation and assist the Recipient in preparation of Project Reports referred to in paragraph A of Section II of Schedule 2 to this Agreement; and
- (j) agree that the Recipient may suspend or terminate the Performance Agreement upon failure of Water Health India to perform any of its obligations under the Performance Agreement.

2. Except as the World Bank shall otherwise agree, each Performance Agreement shall become effective only after the Village Panchayat shall have provided land to the Recipient for the construction and installation of CSWS, and shall contain an express provision to that effect.

**APPENDIX 5**

**Performance Monitoring Indicators**

**Monitoring and Verification Indicators for each Eligible Village**

Output Based Aid to India State of Andhra Pradesh for Rural Community Water Project				
Verifiable Project Indicators				
<i>Project Characteristics</i>				
Project output(s)				
Poverty targeting (surveys, community decisions, geographic)				
OBA design period		months		
Planned implementation period for outputs		months		
<i>Water borne diseases</i>				
Baseline survey of project villages will be done at the inception of the project, which will give a report of incidence of water borne diseases. Subsequently an annual reconnaissance survey will be conducted to see the results		<u>2007</u>	<u>2008</u>	<u>2009</u>
<i>Financing</i>				
		<u>GPOBA</u>	<u>Donors</u>	<u>Govt.</u> <u>Local</u>
Investment grants	USD ths			
Private sector investment finance, if any (own funds/loans)				
Private sector finance mobilized for investments	USD ths			
<i>Project Outcome</i>				
Investment cost per hh	USD			
Subsidy per hh	USD			
Equivalent Grant assistance per household connected	USD			
Outreach of OBA grant(s) to poor population	pct.			
GPOBA payments proceeding according to plan (Y/N)?				
Payments delay, if any	months			
Local co-funding supplied as planned (Y/N)?				
Tariff adjustment clauses respected				
OBA service provider before project (public/private)				
OBA service provider after project (public/private)				
User assessment of project (no/poor/fair/good/very good)				
Degree of local capacity building (none, low, medium, high)				
Means of dissemination of lessons learned, if any				
No. of beneficiary registered households	no.	<u>2007</u>	<u>2008</u>	<u>2009</u> -

No. of sold water cans (12 lts and/ or 20 lts)	no.
Water sales per year	m3
Service availability (daily average)	h/day
Water tariff	US\$/m3
Affordability ratio <sup>1)</sup>	pct.
<b>Replicability</b>	
Pilot scheme or replication?	
Scheme introduced to other potential financiers (Y/N)?	
Scheme considered for replication/replicated (Y/N)?	
Funding of replications if any (government, donors)	
<i>1) Average water bill per household per month divided by average monthly household expenditure</i>	