July 2, 2014

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

Dear Mr. Mitash:

INDIA: JSDF Grant for Karnataka Multi-sectoral Nutrition Pilot Project  
Grant No. TF017363

In response to the request for financial assistance made on behalf of India (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (“World Bank”), as administrator of grant funds provided by Japan (“Donor”) under the Japan Social Development Fund, proposes to extend to the Recipient, a grant in an amount not to exceed four million five hundred fifty thousand United States Dollars (U.S. $4,550,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement,
and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement by August 31, 2014, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]

Onno Ruhl
Country Director, India
South Asia Region

AGREED:

INDIA

By: [Signature]

Authorized Representative

Name: NILAYA MITASH

Title: Joint Secretary (MI)

Date: 15-7-2014

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I

Standard Conditions; Definitions


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

(a) "IESAMP" means Karnataka’s Integrated Environment and Social Assessment and Management Plan, dated April 30, 2014, which provides for measures to address environmental and social impacts resulting from, or likely to result from, the carrying out of the Project and arrangements to implement such measures, and includes the TVGDP (as hereinafter defined), as such plan may be updated from time to time in a manner satisfactory to the World Bank.

(b) "Karnataka" means the Recipient’s State of Karnataka, or any successor thereto.

(c) "KSRLPS" means Karnataka State Rural Livelihood Promotion Society, a society established on November 28, 2011 within Karnataka’s Department for Rural Development and Panchayati Raj, under the Society Registration Act, 1860.

(d) "NGOs" mean non-governmental organizations operating in the Recipient’s territory, which shall be selected for the purposes of Section 2.03(c) of this Agreement.

(e) "Operations Manual" means the manual referred to in paragraph 2.03(d)(ii) of this Annex, to be adopted by Karnataka, approved by the World Bank, as such manual may be revised from time to time with the prior written consent of the World Bank.

(f) "Scheduled Castes" means the population groups specified as "scheduled castes" pursuant to Article 342 of the Constitution of India.

(g) "Scheduled Tribes" means the population groups specified as "scheduled tribes" pursuant to Article 342 of the Constitution of India.

(h) "TVGDP" means the Tribal and Vulnerable Groups Development Plan, included in the IESAMP, which provides for a program of actions, measures and policies designed to ensure that any Scheduled Tribes and Vulnerable Groups living in Project area are properly identified, receive culturally compatible social and economic benefits and do not suffer adverse effects as a result of the implementation of the Project.
(i) “Vulnerable Groups” means the Scheduled Castes, backward classes and persons living below the poverty line, as defined by Karnataka.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to increase utilization of nutrition-improving services by children under-three years of age, adolescent girls and pregnant and nursing women from poor households in Karnataka. The Project consists of the following parts:

(a) Part 1. Increase consumption of nutritious foods and improve household nutrition-related knowledge and behaviors

(i) deliver direct support to poor and vulnerable households through nutrition volunteers providing for locally-sourced nutrition supplements and support to encourage household nutrition-related behaviors, notably breastfeeding, complementary feeding and hygiene practices;

(ii) capacity building activities aimed at strengthening capacity of women’s self-help groups for local production of high-energy food supplements by NGOs, in accordance with Karnataka’s food safety regulations; and

(iii) carry out of a program of activities to train nutrition volunteers in basic nutrition, health and nutrition behaviors change and community mobilization to promote breastfeeding, complementary feeding and hygiene practices.

(b) Part 2. Improve access to multi-sectoral interventions with an impact on nutrition

(i) carrying out of a program of activities to strengthen coordination between key programs with an impact on nutrition and to facilitate access by poor households to such programs; and

(ii) knowledge dissemination with stakeholders, including workshops.

(c) Part 3. Project management and monitoring and evaluation

Project management and monitoring and evaluation, including development of an information, education and communication strategy and establishment of management information system and grievance redress mechanism.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through Karnataka in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects
2.03. **Institutional and Other Arrangements.** (a) To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to Karnataka, in accordance with the Recipient’s standard arrangements for development assistance to the various States of the Recipient.

(b) Karnataka shall vest the overall responsibility for implementation of the Project in KSRLPS. KSRLPS shall carry out the Project in accordance with the IESAMP (including the TVGDP) and the Operations Manual.

(c) In order to achieve the objectives of the Project, the Project shall be implemented in partnership with NGOs selected in accordance with Section 2.05 of this Agreement.

(d) The Recipient shall cause Karnataka to:

(i) establish no later than six (6) months after the countersignature of this Agreement, a Project Management Unit, headed by the Mission Director, KSRLPS, responsible for the day-to-day implementation of Project activities, including procurement, financial management, coordination, and supervision of all consultants, and for all activities to be carried out under the Project, under the technical, advisory and guidance of the Karnataka Nutrition Mission, of the Department of Health and Family Welfare.

(ii) prepare and adopt no later than six (6) months after the countersignature of this Agreement, and thereafter maintain throughout the implementation of the Project, an Operations Manual, in a manner and substance satisfactory to the World Bank, which manual, inter alia, shall include: (A) implementation arrangements; (B) procurement procedures and standard procurement documentation; (C) reporting requirements, financial management and audit procedures; (D) the plan for the monitoring and supervision of the Project including the result framework and all environmental, economic and social aspects in relation thereto; and (E) the performance indicators for the Project.

(iii) carry out the Project in accordance with the IESAMP and apply the TVGDP in a manner satisfactory to the World Bank, including adequately screening the presence of any Scheduled Tribes and Vulnerable Groups in the Project area, and through a process of informed consultation and participation, ensure that the benefits received by any identified Scheduled Tribes and Vulnerable Groups under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights.
2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements 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.

2.05. **Procurement**

(a) **General.** All goods, non-consulting services and consultants' 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:

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

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

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

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

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

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding.
(ii) The following methods, other than National 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 from time to time between the Recipient and the World Bank and reflected in the Procurement Plan; (C) Shopping; (D) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; and (E) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

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

(ii) The following methods may be used for the 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 of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

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

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. 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 following table. The 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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in U.S.$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>200,834</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>4,077,030</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training, workshops and Operating Costs</td>
<td>272,136</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,550,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section the term “Training, workshops and Operating Costs” means costs related to training and workshops conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees, and operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is July 31, 2017.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

   Cable address: ECOFAIRS
   Telex: 953-31-66175 FINE IN
   Facsimile: 91-11-23093422

   New Delhi
4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391