Financing Agreement

(Additional Financing for Himachal Pradesh Mid-Himalayan Watershed Development Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 20, 2012
FINANCING AGREEMENT

Agreement dated November 20, 2012, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 twenty four million six hundred thousand Special Drawing Rights (SDR 24,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 March 15 and September 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 Dollars.

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 Himachal 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 — TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s representative is any of the following: Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

5.02. The Recipient’s Address is

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

Authorized Representative

Name: 
Title: Joint Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: 
Title: Operations Adviser
SCHEDULE 1

Project Description

The objective of the Project is to assist Himachal Pradesh in improving the productive potential of the Project Area and increasing incomes of rural inhabitants in selected watersheds through socially inclusive, institutionally and environmentally sustainable approaches.

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: Institutional Strengthening

1. Provision of technical assistance and material support to strengthen the capacity of Gram Panchayats and other local agencies, communities and institutions in the Project Area in the fields of planning, budgeting, financial management, implementation and reporting, and to promote activities designed to encourage their good performance.

2. Design and implementation of a comprehensive information, education and communications strategy to increase general awareness about the Project, communicate terms of participation and promote transparency amongst stakeholders.

Part B: Watershed Development and Management

1. Promotion of social mobilization and community-driven decision-making activities to develop Ward-level Proposals and facilitate their integration into GPWDPS, including identification of specific interventions for treatment of the watershed on arable and non-arable lands, identification of vulnerable sections of selected villages, integration of WC Proposals into GPWDPs, and identification of inter-GP areas and planning for treatment of such areas.

2. Development of GPWDPs based on the Ward-level Proposals and implementation of activities provided for therein, including soil conservation activities on arable lands, development of non-arable lands and other ancillary activities related to watershed-treatment, including upgrading of link roads, bridle paths and mule tracks.
Part C: Enhancing Mountain Livelihood Opportunities

1. Provision of support to CIGs for the implementation of demonstration activities, including introduction of improved technologies and practices for agriculture, horticulture, silvi-pastoral treatments and animal husbandry, to increase the role of the private sector in input supply and support services, and increase the participation of farmers in the choice of technologies.

2. Implementation of agribusiness pilots to identify potential market opportunities, establish linkages with private sector entrepreneurs and disseminate agricultural production-related information and technology to CIGs, and provision of financial support to the activities undertaken by CIGs, as well as storage, processing and other marketing infrastructure facilities.

3. Provision of support to finance small income generating micro-enterprises for the benefit of vulnerable groups, and provide training to vulnerable groups to encourage their entrepreneurial development.

Part D: Project Management and Coordination

Provision of technical assistance and material support to strengthen the capacity of NRMS to implement and monitor the Project, including implementation of organizational change management initiatives; development of linkages between management information systems, geographic information systems and impact evaluation; construction of offices, vehicle purchases and other related salaries, operating costs and facilities for NRMS field staff; and establishment of an effective and coordinated management, and monitoring and evaluation, system.
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 Himachal 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

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient, shall monitor and evaluate the progress of the Project and shall cause Himachal 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, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause Himachal Pradesh to maintain, 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 cause Himachal Pradesh to prepare and furnish to the Association not later than forty five (45) days after the end of each quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause Himachal 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 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 the Procurement Guidelines, or 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, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:
(a) National Competitive Bidding subject to the additional provisions agreed to, from time to time, between Himachal Pradesh and the Association and set forth in the Procurement Plan.

(b) Shopping

(c) Direct Contracting

(d) Force Account

(e) Community (Panchayat) Participation in Procurement

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on Consultant's Qualifications</td>
</tr>
<tr>
<td>(b) Single Source Selection</td>
</tr>
<tr>
<td>(c) Individual Consultants</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services and consultants’ services (including under Subprojects) Training and Operating Costs</td>
<td>24,600,000</td>
<td>80%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>24,600,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this Section IV:

(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, training materials, and the cost of travel and per diem of trainers and trainees; and

(b) the term "Operating Costs" means incremental costs incurred for the purposes of carrying out the Project, including, *inter alia*, Project staff salaries, office and facility rent, utilities, administrative consumables, office maintenance, and vehicle rental; and maintenance and other administrative costs directly associated with, and necessary under, the Project.

B. Withdrawal Conditions; Withdrawal Period

The Closing Date is March 31, 2016.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing March 15, 2018 to and including September 15, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing March 15, 2028 to and including September 15, 2037</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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


2. "Beneficiary" means a Gram Panchayat or CIG (as hereinafter defined), or any other group or institution which meets the eligibility criteria for beneficiaries of financial assistance under a Subproject, set forth in the Operations Manual (as hereinafter defined), and who shall be a party to a Subproject Financing Agreement (as hereinafter defined).

3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. "Common Interest Group" or "CIG" means a group of individuals, selected in accordance with the criteria set forth in the Operations Manual (as hereinafter defined), who organize themselves legally as a group to carry out productive activities for purposes of Parts B and C of the Project.


6. "Environment and Social Management Framework" or "ESMF" means Himachal Pradesh’s Environment and Social Management Framework, dated September 16, 2005, describing a framework applicable to activities supported under the Project, and designed to maximize the social and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, as such ESMF may be amended from time to time, and such term includes all schedules and agreements supplemental to the ESMF.

7. "Financial Management Manual" means the Project’s financial management manual, acceptable to the Association and set forth as Annex to the Operations Manual (as hereinafter defined), which provides for the financial management and institutional arrangements and obligations under the Project, as such manual may be amended from time to time by agreement between the Recipient and the Association.

8. "GAAP" means the governance and accountability action plan, dated August 16, 2012, satisfactory to the Association, adopted by Himachal Pradesh for purposes of the Project, which sets out the key actions to be undertaken by Himachal Pradesh to strengthen governance, transparency and accountability under the
Project, as such plan may be amended from time to time by agreement between Himachal Pradesh and the Association.

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.


11. “Gram Panchayat Watershed Development Plan” or “GPWDP” means a consolidated plan for watershed development approved by a Gram Sabha (as hereinafter defined) pursuant to Part B.2 of the Project.

12. “Gram Sabha” means a general village body consisting of all eligible voters residing in a village and established under the Recipient’s Constitutional Amendment No.73-74 and Himachal Pradesh’s Panchayati Raj Act.

13. “Integrated Pest Management Plan” or “IPMP” means Himachal Pradesh’s Integrated Pest Management Plan dated September 16, 2005, describing the actions and policies required or appropriate to promote and support the safe, effective and environmentally-sound pest management under the Project, as such IPMP may be amended from time to time, and such term includes all schedules and agreements supplemental to the IPMP.

14. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives agreed between the Recipient and the Association and set forth in the Operations Manual (as hereinafter defined).

15. “Natural Resource Management Society” and “NRMS” mean the Society, chaired by the Chief Minister of Himachal Pradesh and responsible for harmonization of approaches and guidelines and policy development.

16. “Operations Manual” means the Operations Manual dated November 9, 2005, adopted by Himachal Pradesh and satisfactory to the Association, giving details of the guidelines and procedures as shall have been agreed with the Association for the implementation, supervision and monitoring of the Project, as well as the criteria for the selection, appraisal and implementation of Subprojects and the Key Performance Indicators, as the same may be amended from time to time, and such term includes, and all schedules and agreements supplemental thereto.

17. “Original Financing Agreement” means the development credit agreement for Himachal Pradesh Mid-Himalayan Watershed Development Project between the
Recipient and the Association, dated January 19, 2006, as amended to the date of this Agreement (Credit No. 4133-IN).

18. "Original Project" means the Project described in the Original Financing Agreement.


20. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated August 16, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

21. "Project Area" means an area falling within the geographical belt defined as “the Mid-Himalayas” of Himachal Pradesh which is selected for implementation of the Project, in accordance with criteria set forth in the Operations Manual.

22. "Subproject" means any of the activities or set of activities supported or to be supported under Parts A.1, B.2 and C of the Project or pursuant thereto, and in respect of which financial assistance has been, or will be, provided pursuant to a Subproject Financing Agreement (as hereinafter defined).

23. "Subproject Financing Agreement" means an agreement between Himachal Pradesh and a Beneficiary for the financing of a Subproject, and referred to in paragraph 5 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Financing Agreement.

24. "Tribal and Transhumant Strategy" and "TTS" mean Tribal and Transhumant Strategy, dated September 16, 2005, issued by Himachal Pradesh and designed to ensure that Vulnerable Groups (as hereinafter defined) in Himachal Pradesh benefit from the activities carried out under the Project, as such Strategy may be amended from time to time, and such term includes all schedules and agreements supplemental to the Strategy.

25. "Up-Gram Sabha" means a formal group at the Ward-level created for the purposes of planning and preparation of Ward-level Proposals (as hereinafter defined).

26. "Vulnerable Groups" means persons or groups of persons defined as such in accordance with the criteria set out in the Operations Manual.

27. "Ward-level Proposals" means proposals prepared by an Up-Gram Sabha for inclusion in the GPWDP pursuant to Part A.1 of the Project.
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).