Financing Agreement

(Rajasthan Agricultural Competitiveness Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 13, 2012
FINANCING AGREEMENT

AGREEMENT dated April 13, 2012, 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 — 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 seventy million three hundred thousand Special Drawing Rights (SDR 70,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Recipient's State of Rajasthan in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the State Society's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the State Society to perform any of its obligations under the Project Agreement.

4.02. The Additional Events of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — TERMINATION

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

5.02. 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 (20) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

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

Facsimile:
91-11-23092039

6.03. The Association’s Address is:

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

Facsimile:
1-202-477-6391

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

INDIA

By
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to establish the feasibility of sustainably increasing agricultural productivity and farmer incomes through a distinct agricultural development approach by integrating agriculture water management and agricultural technology, farmer organizations and market innovations in selected locations across the ten agro-ecological zones of Rajasthan.

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: Climate Resilient Agriculture

1. Support the design and implementation of climate-resilient approaches that allow for the sustainable use of natural resources through agricultural and livestock production systems aiming to increase long term productivity and farm incomes in an environment marked by increased climate and, in particular, rainfall variability, including:

(a) carrying out the planning process for the preparation of CACPs;

(b) improving water use efficiency, through, *inter alia* the following: (i) fostering and capacity building of community water organizations; and (ii) constructing public, community or on-farm irrigation infrastructure;

(c) transferring technology and providing market-led advisory services, through, *inter alia*, the following: (i) demonstration and adaptation of location-specific soil and water conservation practices; and (b) demonstration and use of improved crop varieties, integrated pest and nutrition management, as well as appropriate agronomic practices; and

(d) strengthening livestock management, through, *inter alia*, the following: (i) improving productivity and incomes from livestock production; (ii) adopting climate smart practices towards animal husbandry; and (iii) strengthening and capacity building to backstop delivery of technical services and advice to farmers.

2. Provision of Grants to Beneficiaries to:

(a) enable individual farmers, farmer producer groups, farmer producer organizations and community water organizations to harvest, capture, deliver and distribute water; and
enable individual farmers, farmer producer groups and farmer producer organizations to undertake investments aimed at improving animal health, feeding, breeding and husbandry practices.

Part B: Markets and Value Chains

1. Marketing support services to establish an agri-business promotion facility with the aim of providing actionable intelligence for agricultural products from Rajasthan within and beyond the State as well as facilitate the establishment of commercial partnerships between Rajasthan’s farming community and the agribusiness community within and outside of the state.

2. Provision of Grants to Beneficiaries to:

   (a) enable farmers to engage in profitable/sustainable market oriented production and to promote partnerships and market linkages with other value chain participants and agribusinesses;

   (b) establish longer term partnerships and market linkages between farmer producer groups and agribusiness enterprises; and

   (c) develop alternate market channels.

Part C: Farmers' Organization & Capacity Building

Provision of support to:

1. mobilize and establish farmer producer groups and farmer producer organizations.

2. design and implement capacity building activities for participatory planning and implementation;

3. strengthen institutions and human resources associated with Project implementation.

Part D: Project Management and Monitoring and Evaluation

Support to the PMU for Project management, implementation, coordination, including the design and implementation of robust monitoring and evaluation systems with a view to: (a) scaling up approaches deemed successful under the Project across Rajasthan; (b) building synergies and converging with ongoing Recipient’s sector schemes; (c) developing and testing production risk management tools in crop and livestock sectors, and (d) disseminating information and lessons learned from Project implementation.
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 Rajasthan, 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.

3. The Recipient shall cause Rajasthan to ensure that the State Society shall carry out its obligations under the Project in accordance with the provisions of the Project Agreement.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and shall cause Rajasthan to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of six (6) months of Project Implementation, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause Rajasthan and the State Society 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 Rajasthan and the State Society 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.
The Recipient shall cause Rajasthan and the State Society to have the 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 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 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. **National 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 National Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association and set forth in the Procurement Plan.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than National 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:
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) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants' services, training and operating costs for the Project</td>
<td>56,100,000</td>
<td>70%</td>
</tr>
<tr>
<td>(2) Grants</td>
<td>14,200,000</td>
<td>70% of the amounts disbursed by the State Society under a Sub-project</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>70,300,000</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 training institutions’ fees, logistics, materials, and the cost of travel and per diem of trainers and trainees; and

(b) the term “operating costs” means the incremental costs incurred by the State Society for the purposes of carrying out the Project, including salaries of Project staff, dissemination of Project related information, office equipment purchase, maintenance and repair, vehicle maintenance and repair, travel, security, communication and other costs directly associated with and necessary under the Project.

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 SDR 200,000 equivalent may be made for payments under Category (1) made prior to this date but on or after April 1, 2011, for Eligible Expenditures.

2. The Closing Date is April 30, 2019.
## 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 September 15, 2017 to and including March 15, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 15, 2027 to and including March 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 II. Definitions


2. "Beneficiary" means an individual farmer, a farmer producer group, farmer producer organization, a livestock herder group, a community water organization which has been selected by the State Society (as hereinafter defined), pursuant to selection criteria set out in the PIP (as hereinafter defined), to receive a Grant (as hereinafter defined) for the carrying out of a Sub-project (as hereinafter defined).

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

4. "CACP" means a cluster agricultural competitiveness plan, prepared by the State Society in accordance with the criteria and procedures set forth in the PIP (as hereinafter defined) and approved by the Association, whose objective is to improve agricultural competitiveness in selected locations across the ten agro-ecological zones of Rajasthan.


6. "EMF" means the environmental management framework, acceptable to the Association, dated February 14, 2012, and set forth as Chapter 1 of the PIP (as hereinafter defined), which provides for the principles and procedures governing the environmental management, mitigation, monitoring and institutional measures to be undertaken in the carrying out of the Project, and the term EMF includes any necessary environmental mitigation plan prepared pursuant to the EMF for purposes of implementing activities under the Project, as such EMF may be amended from time to time by written agreement between Rajasthan (as hereinafter defined) and the Association.

7. "Financial Management Manual" means the financial management manual, acceptable to the Association, dated February 23, 2012, and set forth as Chapter 13 to the PIP (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 written agreement between Rajasthan (as hereinafter defined) and the Association.
“GAAP” means the Recipient’s Governance and Accountability Action Plan, dated February 14, 2012, acceptable to the Association, which identifies key governance issues under the Project and sets forth mitigation measures to address said issues, as said Plan may be amended from time to time by written agreement between Rajasthan and the Association.

“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.

“Grant” means a grant made or proposed to be made by the State Society (as hereinafter defined), through the PMU (as hereinafter defined), to a Beneficiary, out of the proceeds of the Financing allocated from time to time to Parts A.2 and Part B.2 of the Project, to finance the carrying out of a Sub-project (as hereinafter defined) in accordance with the criteria and procedures set forth in the PIP (as hereinafter defined).

“Grant Agreement” means any grant agreement referred to in Section B.1 of Schedule 2 to the Project Agreement, entered into between the State Society (as hereinafter defined) and a Beneficiary; as such agreement may be amended from time to time by written agreement between the State Society and the Association.

“Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of the Project objective set forth in the PIP.

“PIP” means the Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated February 23, 2012, which describes the Project implementation and institutional arrangements, and is comprised of, among others, the EMF, the Financial Management Manual, the GAAP, the Key Performance Indicators, the Procurement Manual (as hereinafter defined), the Procurement Plan (as hereinafter defined), the RF (as hereinafter defined), the SMF (as hereinafter defined) and the TDF (as hereinafter defined), as such PIP may be amended from time by written agreement between Rajasthan and the Association.

“PMU” means the Project management unit referred to in Section A.2 of Schedule 2 to the Project Agreement, to be maintained within the State Society (as hereinafter defined) for the purpose of providing, until completion of the Project, planning, coordination and monitoring support.

16. “Procurement Manual” means the procurement manual acceptable to the Association, dated February 14, 2012, and set forth as Chapter 12 of the PIP, which manual sets out the Project’s procurement management and institutional arrangements, as such manual may be amended from time to time by written agreement between Rajasthan and the Association.

17. “Procurement Plan” means the Recipient’s procurement plan for the Project, acceptable to the Association, dated February 22, 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.

18. “Rajasthan” means the Recipient’s State of Rajasthan or any successor thereto.

19. “RF” means the resettlement framework, acceptable to the Association, dated February 14, 2012, set forth as Chapter 11 of the PIP, which sets out, among other things, the eligibility criteria for identification of persons affected under the Project, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements under the Project, and the term RF includes any necessary resettlement plan prepared pursuant to said RF for implementing activities under the Project, as said RF may be updated from time to time by written agreement between Rajasthan and the Association.

20. “SMF” means the social management framework, acceptable to the Association, dated February 14, 2012, set forth as Chapter 11 of the PIP, governing all social aspects of Project implementation, including the TDF (as hereinafter defined) and related mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse social impacts under the Project, and the term SMF includes any necessary social mitigation plan prepared pursuant to the SMF for implementing activities under the Project, as said SMF may be updated from time to time by written agreement between Rajasthan and the Association.

21. “State Society” means the Rajasthan Agriculture Competitiveness Project Management and Implementation Society, a society established by Rajasthan, under the Recipient’s Societies Registration Act for purposes of, inter alia, assisting Rajasthan in carrying out the Project, and any successor thereto.


23. “Sub-project” means a project, consisting of one or more activities set forth under Parts A.2 and/or B.2 of the Project, and approved by the State Society for financing under Parts A.2 and/or B of the Project in accordance with the criteria and procedures set forth in the PIP.
“TDF” means the tribal development framework acceptable to the Association, dated February 14, 2012, set forth as Chapter 11 of the PIP, which sets forth an action plan and measures to ensure that tribal/indigenous populations within the Project’s area shall receive social and economic benefits that are culturally appropriate, and the term TDF includes any necessary tribal development plan prepared pursuant to the TDF for implementing activities under the Project; as such TDF may be amended from time to time by written agreement between Rajasthan and the Association.

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).