Financing Agreement

(ICDS Systems Strengthening and Nutrition Improvement Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 5, 2012
FINANCING AGREEMENT

AGREEMENT dated November 5, 2012, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Association has received a letter from the Recipient dated June 17, 2009, which describes the Recipient's strategies and objectives with respect to the ICDS Program and declares the Recipient's commitment to the execution of such program; and

(B) the Recipient has requested that the Association support the Recipient's execution of the Program through a series of credits over a period of approximately seven (7) years, as part of an adaptable program lending sequence, to be utilized by the Recipient in the implementation of the ICDS Program.

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 sixty six million three hundred thousand Special Drawing Rights (SDR 66,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The interest payable by the Recipient on the Withdrawn Credit Balance shall be equal to 1.25% per annum.

2.06. The Payment Dates are February 15 and August 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 carry out the Project through MWCD in accordance with the provisions of Article IV of the General Conditions.

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: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance.
5.02. The Recipient's Address is:

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

Facsimile:
91-11-23092039

5.02. The Association's Address is:

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

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

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 support the Recipient and the Participating States to strengthen: (a) the ICDS policy framework, systems and capacities, and facilitate community engagement, to ensure greater focus on children under three years old; and (b) convergent actions for improved nutrition outcomes.

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: ICDS Institutional and Systems Strengthening

Supporting strategic interventions to enhance the effectiveness of the ICDS Program by, inter alia:

1. Refining policies and guidelines across the ICDS Program;
2. Strengthening and expanding the ICDS monitoring systems;
3. Strengthening the ICDS Program’s implementation capacity at district, block and village levels;
4. Converging the ICDS Program and the Recipient’s National Rural Health Mission;
5. Implementing selected innovations to improve the effectiveness of the ICDS Program; and
6. Strengthening the leadership of the ICDS Program, and providing implementation support capacity at district and block levels.

Part B: Community Mobilization and Behavioral Change Communication

Provision of support to strengthen the supply and demand-side interface of the ICDS Program, including:

1. Reviewing the community participation experience in the area of child nutrition, including public-private partnerships, social audit and voluntary action, and pilot promising approaches of community engagement in select districts;
2. Designing and piloting the concept of “social agreement” and, based on the social agreement, developing viable models for community engagement for replication;
3. Promoting community involvement and action through the education and empowerment of community-based organizations, using traditional community events to promote appropriate nutritional practices; and initiating partnerships with non-governmental organizations at the district level; and

4. Developing and implementing an evidence-based behavior change communication strategy.

Part C: Convergent Nutrition Action

Provision of support at the central and state levels to improve nutrition outcomes by, inter alia:

1. Developing frameworks and tools to facilitate convergent action for sectors playing a key role in the area of nutrition improvement;

2. Setting up and strengthening structures for planning, coordinating and monitoring nutrition actions across multiple sectors;

3. Implementing and evaluating selected multi-sectoral initiatives for potential scale-up, including developing related action plans; and

4. Carrying out related assessments and operations research.

Part D: Project Management, Monitoring & Evaluation

Provision of support to strengthen the CPMU and SPMUs' capacity to comply with their Project management and implementation responsibilities, such support to include, inter alia, engaging the services of a technical agency to provide technical support for the ICDS Program's implementation, and the monitoring and evaluation of Project's outcomes.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

At the Central Level

1. Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient, through MWCD, shall, and shall cause each Participating State to:

   (a) carry out the Project in accordance with the PIP, the Financial Management Manual and the Procurement Manual; and

   (b) not amend or waive any provision of the PIP, the Financial Management Manual or the Procurement Manual, except as the Association shall otherwise agree. In the event of a conflict between the provisions of the PIP and those of this Financing Agreement, the provisions of the latter shall prevail.

2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.

3. The Recipient, through MWCD, shall:

   (a) maintain, at all times during Project implementation, a central project management unit with functions and responsibilities acceptable to the Association, including, inter alia, the responsibility to coordinate and monitor the carrying out of the Project;

   (b) ensure that the CPMU is led, at all times during Project implementation, by a Project director, assisted by adequate professional and administrative staff (including three (3) project managers, and procurement, financial management, technical, and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference satisfactory to the Association;

   (c) maintain, at all times during Project implementation, the PIP; and

   (d) not amend, delete or waive any provision of the PIP without the prior written consent of the Association.
At the State Level

4. The Recipient, through MWCD, shall, and shall cause each Participating State to:

(a) maintain, at all times during Project implementation, a state project management unit within each Participating State’s Directorate for Integrated Child Development Services, with functions and responsibilities acceptable to the Association, including, inter alia, the responsibility to coordinate and monitor the carrying out of the Project at the State level;

(b) ensure that the SPMU is led, at all times during Project implementation, by a state Project director, assisted by adequate professional and administrative staff (including procurement, financial management, technical, and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference, satisfactory to the Association;

(c) maintain, at all times during Project implementation, the PIP;

(d) not amend, delete or waive any provision of the PIP without the prior written agreement of the Association.

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

1. The Recipient, through MWCD, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of 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 three (3) months after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than March 31, 2014.
B. Financial Management, Financial Reports and Audits

1. The Recipient, through MWCD, shall maintain, and cause each Participating State 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, through MWCD, shall, and cause each Participating State to, prepare and furnish to the Association, not later than sixty (60) days after the end of each semester, Interim Unaudited Financial Reports (IUFR) for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient, through MWCD, shall, and shall cause each Participating State to, have its 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 and Non-consulting Services. All goods 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, 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 and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting 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) 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)</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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) 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, non-consulting services, and consultants' services for Parts A, B and C of the Project</td>
<td>57,000,000</td>
<td>70%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, and consultants' services for Part D of the Project</td>
<td>9,300,000</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>66,300,000</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 institution fees, logistics, materials, and the cost of travel and per diem of trainers and trainees; and

(b) the term "operating costs" means incremental costs incurred by the CPMU and the SPMUs for the purposes of carrying out the Project, including, inter alia, office rent, utilities and supplies, office and equipment maintenance and repair, vehicle rent and maintenance, travel costs for supervision missions, over-time bonus payments to project staff, communication and other administrative 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:
(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 13,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2011, for Eligible Expenditures under Category (1); and

(b) under Category (2), unless the Recipient has submitted to the Association satisfactory evidence that the contract to employ a technical agency under Part D of the Project has been duly executed by the parties thereto.

2. The Closing Date is October 31, 2015.
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 February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing February 15, 2018 to and including August 15, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing February 15, 2028 to and including August 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. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. "CPMU" means the Central Project Management Unit, referred to in Section I.A.3(a) of Schedule 2 to this Agreement, to be maintained by MWCD for the purpose of providing Project management and support throughout project implementation.

5. "Financial Management Manual" means the financial management manual, acceptable to the Association, dated August 8, 2011, and set forth as Annex 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 agreement between the Recipient and the Association.

6. "GAAP" means the Recipient's Governance and Accountability Action Plan, 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 agreement between the Association and the Recipient.


8. "ICDS Program" means the Recipient's Integrated Child Development Scheme, officially launched on October 2, 1975, with the objective to, inter alia, improve nutritional outcomes of children in India.

9. "Key Performance Indicators" means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.

11. "Participating State" means the Recipient's states of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh which states have been selected on the basis of criteria set forth in the PIP (as hereinafter defined) to assist the Recipient in the implementation of the Project.

12. "PIP" means the Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated April 30, 2011, which describes the Project implementation and institutional arrangements, including, inter alia, state level guidance in respect of the Project, including procedures and criteria for the selection, appraisal, implementation and evaluation of pilot activities under Part B.1 of the Project and the relevant audit requirements for each of the Participating States (as necessary), and is comprised of, among others, the Financial Management Manual, the GAAP, the Key Performance Indicators and the Procurement Manual (as hereinafter defined), as such plan may be amended from time to time by agreement between the Recipient and the Association.


14. "Procurement Manual" means the Recipient's manual dated August 8, 2011, agreed with Association, which sets out the procurement arrangements, policies and procedures for the Project, as well as the internal controls thereof, as such manual may be amended from time to time by agreement of the Recipient and the Association.

15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 8, 2011 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.

16. "SPMU" means the State Project Management Unit, referred to in Section I.A.4(b) of Schedule 2 to this Agreement, to be maintained by each Participating State for the purpose of providing Project management and support, at the state level, throughout project implementation.

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).