Financing Agreement

(Additional Financing for Assam 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") 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 thirty two million six hundred thousand Special Drawing Rights (SDR 32,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 1 and September 1 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 Assam 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: 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
5.03. 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 increase the productivity and market access of targeted farmers and community groups.

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: Investment Grant Scheme

Provision of Grants to finance, and appropriate support services to facilitate, the carrying out of Sub-projects consisting of, *inter alia*:

(i) irrigation development, including the promotion of small-scale irrigation systems;

(ii) micro-watershed drainage activities, including assistance to flood plain rural communities to reduce congestion of natural drainage lines that causes local flooding/water logging, constraining farm production and impeding communications;

(iii) farm mechanization to address the problem of limited farm machinery and equipment availability, and facilitate multiple cropping in areas opened up by irrigation development and drainage improvement; and

(iv) fish production through the development and improved management of public and private water resources.

Part B: Agricultural Services and Market Chain Development

Development of agricultural services and market chains by:

(i) Strengthening and expanding decentralized, pluralistic farm advisory services based on improved extension and research systems;

(ii) upgrading livestock and hatchery fish-stocks;

(iii) improving commodity marketing by strengthening linkages between producers and markets including carrying out marketing studies;
(iv) promoting milk marketing through the formation of milk producer institutions and provision of associated facilities; and

(v) supporting integrated approaches in the areas of community-based rural development and forestry and natural resource conservation.

Part C: Key Infrastructure Development

Development of rural infrastructure, including (i) the upgrading of selected rural roads to blacktop standards; (ii) road connectivity to rural markets; (iii) the replacement of associated temporary wooden bridges with concrete structures; (iv) development of Maintenance Plans; and (v) the upgrading of selected unregulated primary wholesale markets and local retail markets.
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 Assam, 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 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 Assam 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 maintain, and shall cause Assam 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, and shall cause Assam to prepare and furnish to the Association not later than sixty (60) 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, and shall cause Assam 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 fiscal year in which the first withdrawal was made 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, including for Sub-projects, 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:
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, works, non-consulting services, consultants' services, training and operating costs</td>
<td>25,600,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Grants</td>
<td>7,000,000</td>
<td>80% of the amounts disbursed by Assam under a Sub-project</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>32,600,000</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, materials, and the cost of travel and per diem of trainers and trainees; and

(b) the term “operating costs” means, inter alia, the following additional costs incurred in the carrying out of the Project: (i) remuneration of individuals appointed under the Project and assigned to positions specifically created for
purposes of the Project; and (ii) the costs of office expenses under the Project, operation, including, hiring and maintenance of vehicles, operation and maintenance of equipment purchased under the Project, operation and maintenance of facilities constructed under the Project, data collection for purposes of the Project, and Project related domestic travel including allowances.

B. Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, withdrawal for payments made under Category (1) shall only be made once the Association has received satisfactory evidence that Assam has duly made all Resettlement Payments due under the Original Project in accordance with the provisions of the relevant social mitigation and/or resettlement plan prepared under the Resettlement and Rehabilitation Policy.

2. The Closing Date is March 15, 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 March 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>commencing September 1, 2017 to and including March 1, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 1, 2027 to and including March 1, 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. "ARIAS Society" means the Assam Rural Infrastructure and Agricultural Services Society established by Assam (as hereinafter defined), under the Recipient’s Societies Registration Act for the purposes, inter alia, of monitoring, supervising and coordinating the implementation of the Project, and any successor thereto.

3. "Assam" means Recipient’s State of Assam or any successor thereto.

4. "Beneficiary" means an individual farmer, a farmer group, a self-help group, a cooperative society and community group who shall take part in the carrying out of a Sub-project (as hereinafter defined).

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


7. "Environmental Management Framework" and "EMF" mean the environmental management framework, satisfactory to the Association, dated June 2004, as amended to the date of this Agreement, formulated by Assam for the purpose of implementing the Project in accordance with certain institutional, mitigating and monitoring measures designed to offset, reduce to acceptable levels and/or eliminate any adverse environmental impact, and these terms include any and all environmental management plans, and/or codes or practice, to be prepared in accordance with such Environmental Management Framework.

8. "Financial Management Manual" means the Manual dated July 2004, satisfactory to the Association, as amended to the date of this Agreement, formulated by Assam for the purpose of carrying out, monitoring and supervising the financial aspects of the implementation of the Project.

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

10. “Grant” means a matching grant made or proposed to be made by the ARIAS Society, through PCU (as hereinafter defined), to a Beneficiary, out of the proceeds of the Financing allocated from time to time to Part A 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 Operational Manual (as hereinafter defined).

11. “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.

12. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives set forth in the Operational Manual (as hereinafter defined).

13. “Line Department” means an administrative line department within the governmental structure of Assam.

14. “Maintenance Plan” means, for each year, a plan for the routine, periodic and special maintenance required for the core rural roads network in each of the Project Districts along with the budget estimates to implement such plan.

15. “Operational Manual” means the manual dated July 2004, satisfactory to the Association, as amended from time to time, setting forth, inter alia, the operating procedures for the carrying out of the Project, including the Key Performance Indicators and the criteria for the selection of Beneficiaries and Sub-projects (as hereinafter defined), and the procedures for the carrying out of Sub-projects (as hereinafter defined).

16. “Original Financing Agreement” means the development credit agreement for the Assam Agricultural Competitiveness Project between the Recipient and the Association, dated January 14, 2005, as amended to the date of this Agreement (Credit No.4013-IN).

17. “Original Project” means the Project described in the Original Financing Agreement.


19. “Procurement Plan” means the Assam’s procurement plan for the Project, dated January 27, 2012 for the Project 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.

20. “Project Districts” means the districts in Assam in which Project activities shall be carried out.

21. “PCU” means the Project Coordination Unit referred to in Section I.A.1 of the Schedule to the Project Agreement, to be maintained within the ARIAS Society for the purpose of providing, until completion of the Project, planning, coordination and monitoring support.

22. “Resettlement and Rehabilitation Policy” or “RRP” means Assam’s resettlement and rehabilitation policy dated October 2004, approved by, and furnished to, the Association, including any updates and amendments thereto as Assam and the Association may agree from time to time, which sets out, among other things, the principles and objectives of the policy, eligibility criteria for identification of persons affected under the Project, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements to ensure compliance with the provisions of the policy, and includes any necessary social mitigation and/or resettlement plans prepared pursuant to said policy for implementing activities under the Project.

23. “Resettlement Payments” means payments made by Assam, for purposes of implementing the Resettlement and Rehabilitation Policy and the relevant social mitigation and/or resettlement plan(s) prepared thereunder, to a person who has suffered adverse economic and/or social impacts caused by activities carried out under the Original Project (as hereinafter defined) in order to compensate such person for said impacts.

24. “Sub-project” means a project, consisting of one or more activities set forth under Part A of the Project, and approved by a Line Department for financing under Part A of the Project in accordance with the criteria and procedures set forth in the Operational Manual.

25. “Sub-project Agreement” means a memorandum of understanding, entered into between Assam, through a Line Department, and a Beneficiary concerning the carrying out of a Sub-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).