Development Credit Agreement

(Assam Agricultural Competitiveness Project)

between

INDIA

And

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 14, 2005
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 14, 2005 between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project, described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project; and

(B) the Project will be carried out by the State of Assam (Assam) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Assam the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Assam (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association (the General Conditions), dated January 1, 1985 (as amended through May 1, 2004), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “ARIASP Society” means the Assam Rural Infrastructure and Agricultural Services Project Society established by Assam, under the Borrower’s Societies Registration Act for the purposes, inter alia, of supervising and coordinating the implementation of the Project and any successor thereto;

(b) “Beneficiary” means individual farmers, farmer and self-help groups, cooperative societies and community groups who shall take part in the carrying out of a Sub-project (as this term is hereinafter defined);
(c) “Environmental Management Framework” means the environmental management framework dated June 2004 as amended from time to time, satisfactory to the Association formulated by Assam for the purpose of implementing the Project in accordance with certain institutional, mitigating and monitoring measures set forth in such plan to offset, reduce to acceptable levels or eliminate any adverse environmental and social impacts, and includes environmental management plans formulated pursuant to such Environmental Management Framework;

(d) “Financial Management Manual” means the Manual dated July 2004, as amended from time to time, satisfactory to the Association, formulated by Assam for the purpose of carrying out, monitoring and supervising the financial aspects related to the implementation of the Project;

(e) “Financial Monitoring Report” means each Financial Monitoring Report prepared by Assam in accordance with Section 3.02 of the Project Agreement;

(f) “Grant” means a matching grant made or proposed to be made by PCU (as this term is hereinafter defined) to a Beneficiary, out of the proceeds of the Credit allocated from time to time to Part A of the Project, to finance the carrying out of a Sub-project (as this term is hereinafter defined) in accordance with the criteria and procedures set forth in the Operational Manual;

(g) “Line Department” means an administrative line department within the governmental structure of Assam;

(h) “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;

(i) “NGO” means non-governmental organization;

(j) “Operational Manual” means the manual dated July, 2004, as amended from time to time, satisfactory to the Association, containing, inter alia, the operating procedures for the carrying out of the Project, including the criteria for the selection of Beneficiaries and Sub-projects (as this term is hereinafter defined), and the procedures for the carrying out of Sub-projects (as this term is hereinafter defined);

(k) “Procurement Plan” means Assam’s procurement plan, dated August, 2004 covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 2.02 (b) of the Project Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;
“Project Agreement” means the agreement between the Association and Assam of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

“Project Districts” means for each specific component, the districts in the State of Assam in which those Project activities are being carried out;

“PCU” means the Project Coordination Unit maintained within the ARIASP Society;

"PWD" means Assam’s Public Works Department;

“Resettlement and Rehabilitation policy” means Assam’s resettlement and rehabilitation policy dated October 2004, approved by, and furnished to, the Association including any updates and amendments to such plan as Assam and the Association may agree from time to time, which sets out, among other things, the principles and objectives of the plan, 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 Resettlement Action Plans prepared pursuant to such policy for implementing activities under the Project.

"Special Account" means the account referred to in Part B of Schedule 1 of this Agreement;

“Sub-project” means a project or an activity 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;

“Sub-project Agreement” means an agreement entered into between a Line Department and a Beneficiary relating to the carrying out of a Sub-project; and

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred and five million Special Drawing Rights (SDR 105,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the
reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be March 31, 2010, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15, and November 15, commencing May 15, 2015 and ending November 15, 2039. Each installment to and including the installment payable on November 15, 2024 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower’s per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association’s resources; and (ii) the Bank shall consider the Borrower creditworthy for
Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower’s economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid;

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal;

(C) if so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification; and

(D) if, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Assam to perform in accordance with the provisions of the Project Agreement all the obligations of Assam therein set forth, shall take and cause to
be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Assam to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Assam in accordance with the Borrower’s standard arrangements for developmental assistance to the States of India.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by Assam pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were Report-based Disbursements or were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one (1) year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association’s representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each Fiscal
Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure or the reports referred to in Part A.5 of Schedule 1 to this Agreement submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

(iii) furnish to the Association such other information concerning said records and accounts, and concerning said auditors, as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) Assam shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Assam will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 (a) of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.
ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association namely, that the Project Agreement has been duly authorized or ratified by Assam, and is legally binding upon Assam in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, and Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower are each designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, PIN 110001
India

Cable address: ECOFAIRS
Telex: 953-3166175
Facsimile: 011-23097511
For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI)
Facsimile: (202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, as of the day and year first above written.

INDIA

By /s/Ranjit Bannerji
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Carter
Country Director, India
SCHEDULE 1
Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>61,000,000</td>
<td>90 %</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>5,500,000</td>
<td>100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) (a) Consultants’ services (other than services provided by tax-exempt providers)</td>
<td>6,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(b) Consultants’ services provided by tax-exempt providers</td>
<td>2,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Grants</td>
<td>12,800,000</td>
<td>90% of amounts disbursed by Assam for a Sub-project</td>
</tr>
<tr>
<td>(5) Training</td>
<td>4,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Incremental Operating Costs</td>
<td>2,300,000</td>
<td>70% until March 31, 2007; 60% until March 31, 2008; 50% until March 31, 2009, and 35% thereafter</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>10,500,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>105,000,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Incremental Operating Costs" means 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; (ii) the costs of (A) office expenses under the Project, (B) operation, hiring and maintenance of vehicles, (C) operation and maintenance of equipment purchased under the Project, (D) operation and maintenance of facilities constructed under the Project, (E) data collection for purposes of the Project, and (F) Project related domestic travel including allowances.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $6,000,000 may be made on account of payments made for expenditures before that date but after July 1, 2004; and

(b) in respect of any Grant under category 4 of the table in paragraph 1 above unless a Sub-project Agreement shall have been entered into, with a Beneficiary, for implementation of a Sub-project using the proceeds of the Grant.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods under contracts not exceeding $500,000 equivalent, and works under contracts not exceeding $500,000 equivalent;

(b) services under contracts not exceeding $200,000 equivalent for employment of consulting firms and $50,000 equivalent for employment of individual consultants respectively;

(c) Grants;

(d) training; and
(e) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the Financial Monitoring Report and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit, or shall cause Assam to submit, to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) until the Association shall have received: (i) the first Financial Monitoring Report referred to in Section 3.02 (b) of the Project Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) upon receipt by the Association of a Financial Monitoring Report pursuant to Section 3.02 (b) of the Project Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:
(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.
ANNEX A
to
SCHEDULE 1

Operation of Special Account when Withdrawals are not
made on the Basis of Report-Based Disbursements

1. For the purposes of this Annex the term “Authorized Allocation” means an
amount of $25,000,000 to be withdrawn from the Credit Account and deposited into the
Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless
the Association shall otherwise agree, the Authorized Allocation shall be limited to an
amount of $12,500,000 until the aggregate amount of withdrawals from the Credit
Account, plus the total amount of all outstanding special commitments entered into by the
Association pursuant to Section 5.02 of the General Conditions shall equal or exceed
SDR 45,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to
replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish
to the Association a request or requests for deposit into the Special Account of an amount
or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis
of each such request, the Association shall, on behalf of the Borrower, withdraw from the
Credit Account and deposit into the Special Account such amount as the Borrower shall
have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to
the Association requests for deposit into the Special Account at such intervals as the
Association shall specify. Prior to or at the time of each such request, the Borrower shall
furnish to the Association the documents and other evidence required pursuant to Part B.3
of Schedule 1 to this Agreement for the payment or payments in respect of which
replenishment is requested. On the basis of each such request, the Association shall, on
behalf of the Borrower, withdraw from the Credit Account and deposit into the Special
Account such amount as the Borrower shall have requested and as shall have been shown
by said documents and other evidence to have been paid out of the Special Account for
Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by
the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special
Account, once the total unwithdrawn amount of the Credit minus the total amount of all
outstanding special commitments entered into by the Association pursuant to
Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of
the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the
remaining unwithdrawn amount of the Credit shall follow such procedures as the
Association shall specify by notice to the Borrower. Such further withdrawals shall be
made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B
to
SCHEDULE 1

Operation of Special Account when Withdrawals are made on Report-Based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
SCHEDULE 2

Description of the Project

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 Borrower and the Association may agree upon from time to time to achieve such objective.

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 and the pilot testing of new irrigation technologies;

(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) introducing 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 cooperative milk societies and provision of associated facilities;

(v) pilot testing new, integrated approaches in the areas of community-based rural development and forestry and natural resource conservation; and

(vi) carrying out studies in the sericulture sector to understand market dynamics together with pilots based on the recommendations of such studies.

Part C: Key Infrastructure Development

Development of rural infrastructure, including (i) the upgrading of selected rural roads to blacktop standards; (ii) rehabilitation of selected gravel roads; (iii) the replacement of associated temporary wooden bridges with concrete structures; (iv) development of a maintenance plan for core rural roads in the Project Districts; and (v) the upgrading of selected unregulated primary wholesale markets and local retail markets.

* * *

The Project is expected to be completed by December 31, 2009.