Financing Agreement

(Additional Financing for Uttarakhand Decentralized Watershed Development Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 17, 2011
FINANCING AGREEMENT

AGREEMENT dated March 17, 2011, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for 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 five million one hundred thousand Special Drawing Rights (SDR 5,100,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its continued 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 Uttarakhand 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 Events of Suspension consist of the following:

   (a) Uttarakhand 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 Financing Agreement, an extraordinary situation shall have arisen which shall make it improbable that Uttarakhand will be able to perform its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consist of the following, namely that any event specified in paragraphs (a) and (b) of 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.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

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

Facsimile:

91-11-23092039

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

[Signature]

By
 Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

By
 Authorized Representative
SCHEDULE 1

Project Description

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

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Participatory Watershed Development and Management

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

2. Development of GPWDPs based on the RVC Proposals and implementation of activities provided for therein, including soil conservation activities on arable lands, development of non-arable lands and other ancillary activities unrelated to watershed-treatment, including upgrading of link roads, bridle paths and mule tracks.

Part B: Enhancing Livelihood Opportunities

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

2. Implementation of an agribusiness pilot to identify potential market opportunities, establish linkages with private sector entrepreneurs to exploit the market potential and disseminate agricultural production related information and technology to FIGs, and provision of support to contribute to the financing of activities undertaken by FIGs, as well as storage, processing and other marketing infrastructure facilities.
3. Provision of support to finance small income generating micro-enterprises for the benefit of Vulnerable Groups, and provide training to Vulnerable Groups to encourage their entrepreneurial development.

Part C: Institutional Strengthening

1. Provision of technical assistance and material support to strengthen the capacity of Gram Panchayats and other local agencies and institutions in the Project Area in the areas of planning, budgeting, financial management, implementation and reporting, and establishment of a Gram Panchayat Incentive Scheme to fund activities designed to encourage good performance.

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

3. Provision of technical assistance and material support to strengthen the capacity of WMD to implement and monitor the Project, including implementation of organizational change management initiatives; development of linkages between management information systems, geographic information systems and impact evaluation; construction of offices and other related facilities for WMD field staff; and establishment of effective and coordinated management, monitoring and evaluation systems.
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 Uttarakhand, 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 Uttarakhand 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 or cause Uttarakhand 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, or shall cause Uttarakhand to prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall, or shall cause Uttarakhand to have the Designated Account and the Project’s Financial Statements audited in accordance with the provisions
of Section 4.09(b) of the General Conditions. Each audit of the Designated Account and 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 audit for the Designated Account and audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. 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 to, from time to time, between Uttarakhand and the Association and to be set forth in the Procurement Plan</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation in Procurement</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) Selection Based on Consultant's Qualifications</td>
</tr>
<tr>
<td>(b) Single Source Selection</td>
</tr>
<tr>
<td>(c) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and services under Subprojects</td>
<td>2,050,000</td>
<td>95%</td>
</tr>
<tr>
<td>(2) Consultants’ services, training workshops and study tours (Category 4a and 4b under the Original Financing Agreement)</td>
<td>1,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(3) Operating Costs (Category 5 under the Original Financing Agreement)</td>
<td>330,000</td>
<td>40%</td>
</tr>
<tr>
<td>(4) Goods and works (other than under Subprojects) (Category 6 under Original Financing Agreement)</td>
<td>1,720,000</td>
<td>80%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5,100,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. For purposes of this Section IV:

(a) the term “training” means non-consultant expenditures incurred in connection with the provision of training and workshops including training institution fees, logistics, materials, study tours and the reasonable cost of travel and per diem of trainers and trainees; and

(b) the term “operating costs” means the incremental costs of operation and maintenance of buildings, equipment and vehicles, office rental and expenses, hiring of vehicles, salaries of additional staff other than public officials, and travel and other allowances of all project staff, incurred for the purposes of carrying out the Project.

B. Withdrawal Period

1. The Closing Date is March 31, 2012.
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 15 May and 15 November</td>
<td></td>
</tr>
<tr>
<td>commencing 15 May 2021 to and including 15 November 2030</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing 15 May 2031 to and including 15 November 2045</td>
<td>2.5%</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

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.

2. “Beneficiary” means a Gram Panchayat, SHG, FIG, RVC or any other person, group or institution which is a beneficiary of financial assistance under a Subproject and party to a Subproject Agreement.

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


5. “Environment and Social Management Framework” or “ESMF” means Uttarakhand’s Environment and Social Management Framework, dated February 21, 2004, describing a framework applicable to activities supported under the Project, and designed to maximize the social and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, as such ESMF may be amended from time to time, and such term includes all schedules and agreements supplemental to the ESMF.

6. “Farmer Interest Group” or “FIG” means a group of farmers who agree to organize themselves as a group for productive activities for purposes of Part B.1 and B.2 of the Project.


8. “GAAP” means the governance and accountability action plan, satisfactory to the Association, adopted by Uttarakhand, which sets out the key actions to be undertaken by Uttarakhand to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time by agreement between Rajasthan and the Association.

9. “Gram Panchayat” or “GP” means a local self government body established under the Uttar Pradesh Panchayat Raj Act, 1947 and adopted by the state of Uttarakhand.
10. "Gram Panchayat Incentive Scheme" means the scheme established pursuant to Part C.1 of the Project.

11. "Gram Panchayat Watershed Development Plan" or "GPWDP" means a consolidated plan for watershed development approved by a Gram Sabha pursuant to Part A.2 of the Project.

12. "Gram Sabha" means a general village body consisting of all eligible voters residing in a village.

13. "Integrated Pest Management Plan" or "IPMP" means Uttarakhand's Integrated Pest Management Plan, dated February 21, 2004, describing the actions and policies required or appropriate to promote and support the safe, effective and environmentally-sound pest management under the Project, as such IPMP may be amended from time to time, and such term includes all schedules and agreements supplemental to the IPMP.

14. "Key Performance Indicators" mean the indicators for monitoring and evaluating progress towards the attainment of Project objectives agreed between the Recipient and the Association.

15. "Operations Manual" means the Operations Manual, dated March 2004, adopted by Uttarakhand, giving details of the guidelines and procedures as shall have been agreed with the Association for the implementation, supervision and monitoring of the Project, as well as the criteria for the selection, appraisal and implementation of Subprojects, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Operations Manual.

16. "Original Financing Agreement" means the development credit agreement for a Uttarakhand Decentralized Watershed Development Project between the Recipient and the Association, dated July 30, 2004, as amended to the date of this Agreement (Credit No.3907-IN).

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


19. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 2, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
20. "Project Area" means an area falling within any of the districts of Uttarakhand which is selected for implementation of the Project, in accordance with criteria set forth in the Operations Manual.

21. "Revenue Village Committee" or "RVC" means an informal group at the revenue village level comprising of members from all households of the revenue village, created for the purposes of planning and preparation of RVC Proposals.

22. "Revenue Village Committee Proposals" or "RVC Proposals" means proposals prepared by an RVC for inclusion in the GPWDP pursuant to Part A.1 of the Project.

23. "Self-Help Group" or "SHG" means a group of individuals in Uttarakhand who agree to organize themselves as a group for pursuing common socio-economic and productive activities for purposes of Part B.3 of the Project.

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

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

26. "Tribal and Transhumant Strategy" or "TTS" means Tribal and Transhumant Strategy, dated February 21, 2004, issued by Uttarakhand and designed to ensure that the Vulnerable Groups in Uttarakhand benefit from the activities implemented under the Project, as such Strategy may be amended from time to time, and such term includes all schedules and agreements supplemental to the Strategy.

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

28. "Watershed Management Directorate" or "WMD" means the Watershed Management Directorate of Uttarakhand.
Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   "(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) (fn14) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

   "(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has
engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines."

"15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank's website and otherwise be made known to staff and other stakeholders."