Financing Agreement

(North East Rural Livelihood Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 20, 2012
FINANCING AGREEMENT

AGREEMENT dated January 20, 2012, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to eighty million eight hundred thousand Special Drawing Rights (SDR 80,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 June 1 and December 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 objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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of the following, namely that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project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

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

ARTICLE V — TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

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

Facsimile:
91-11-23092039

6.03. The Association's Address is:

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

Facsimile:
1-202-477-6391

AGREEED 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 improve rural livelihoods especially that of women, unemployed youths and the most disadvantaged in the Participating States.

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: Social Empowerment

Facilitating the process of community mobilization and capacity building for the poor, and providing necessary technical expertise to help them mobilize themselves into Beneficiary Institutions, and gradually develop their own capacity to initiate and expand sustainable livelihoods activities, including:

1. establishing entities that support and facilitate activity implementation at the village level; and

2. supporting the identification, selection, and mobilization of Beneficiary Institutions.

Part B: Economic Empowerment

Support demand-driven initiatives that will enable Project beneficiaries to undertake productive livelihood activities, namely:

1. provision of Investment Support to SHGs and their federations, as defined in their SHG Livelihood Plans, to undertake productive economic livelihood activities;

2. provision of Investment Support to CDGs to undertake village level activities, as defined in their CDPs, including development of common natural resources (land development, water management, forest management) and small village infrastructure that directly enhance local livelihood activities (storage, grading facilities, collection centers);

3. provision of Investment Support to POs organizations to collectively undertake common economic livelihood activities;

4. establishment of a structured mechanism for skills development and job creation for the rural poor, through, inter alia, the provision of vocational skills training opportunities to the unemployed population; and
5. support activities that have potential for scaling-up and replication including, *inter alia*, health and nutrition, green opportunities, and climate change/adaptation.

**Part C: Partnership Development**

Facilitating mechanisms by which to identify, nurture and support innovative ideas to address the livelihood needs of the rural poor, including:

1. identifying and developing linkages between Beneficiary Institutions and formal financial intermediaries to support their livelihood activities;

2. supporting linkages between Beneficiary Institutions and technical resource organizations to provide, among other things, training and technical assistance to enhance the productivity of their livelihood activities; and

3. engaging private and public sector organizations to enhance Beneficiary Institutions access to market information and latest technology so as to enable them to better align their activities with market demand.

**Part D: Project Management**

Provision of support to the Project Implementing Entity to:

1. establish an efficient, effective and responsive Project management mechanism for successful Project implementation at the state and district level;

2. develop a comprehensive and a robust monitoring and evaluation system, including an integrated management information system.
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 the Project Implementing Entity, in accordance with the Recipient’s standard arrangements for development assistance.

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

1. The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and 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 to be maintained 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 the Project Implementing Entity to, prepare and furnish to the Association not later than forty five (45) days after the end of each quarter, Interim Financial Reports (IFR) for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall, or shall cause the Project Implementing Entity to, have the Project’s Financial Statements audited in accordance with the provisions of
Section 4.09 (b) of the General Conditions. Each audit of the Project's Financial Statements shall cover the period of one (1) financial year of the Recipient, commencing with the financial year in which the first withdrawal was made under the Project. The audited Project's Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III.  Procurement

A.  General

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

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

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

B.  Particular Methods of Procurement of Goods, Works and Non-consulting Services

1.  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 are 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding (subject to the additional provisions agreed</td>
</tr>
<tr>
<td>upon from time to time between the Recipient and the Association and set forth</td>
</tr>
<tr>
<td>in the Procurement Plan)</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 are the 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 Based on Consultant's Qualifications</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Under a Fixed Budget</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, operating costs, Investment Support</td>
<td>80,500,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>300,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>80,800,000</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 NELPS for the purposes of carrying out the Project, including, inter alia, office rent and utilities, office and equipment insurance, office maintenance and repair, vehicle maintenance, repair and hiring, communication, salaries and remuneration of staff 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 for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 2,000,000 equivalent may be made for payments made prior to this date but on or after April 1, 2011 for Eligible Expenditures.

2. The Closing Date is March 31, 2017.
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 June 1 and December 1:</td>
<td></td>
</tr>
<tr>
<td>commencing June 1, 2017 to and including</td>
<td>1.65%</td>
</tr>
<tr>
<td>December 2026</td>
<td></td>
</tr>
<tr>
<td>commencing June 1, 2027 to and including</td>
<td>3.35%</td>
</tr>
<tr>
<td>December 1, 2036</td>
<td></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. “Beneficiary Institution” means either: (a) an SHG (as hereinafter defined); or (b) an SHG Federation (as hereinafter defined; or (c) a CDG (as hereinafter defined); or (d) a PO (as hereinafter defined) which has been selected by the Project Implementing Entity (as hereinafter defined), pursuant to selection criteria set out in the Community Operations Manual (as hereinafter defined), to receive an Investment Support (as hereinafter defined) to finance, in whole or in part, the carrying out of either: (a) an SHG Livelihood Plan (as hereinafter defined); or (b) a CDP (as hereinafter defined); or (c) a PO Business Plan (as hereinafter defined); pursuant to the relevant Grant Agreement (as hereinafter defined), and in accordance with the terms and conditions set forth in Section B of Schedule 2 to the Project Agreement and the PIP (as hereinafter defined).

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

4. “CDG” means a community development group, consisting of households in a selected village, duly established under the relevant laws of the Recipient for the purpose of receiving an Investment Support to implement a CDP (as hereinafter defined).

5. “CDP” means a community development plan, prepared by a CDG and approved by the Project Implementing Entity, which consists of, inter alia, undertaking a public good activity which benefits members of the community.

6. “Community Operations Manual” means the Project Implementing Entity’s community operations manual, acceptable to the Association, dated September 29, 2011 and set forth as an annex to the PIP (as hereinafter defined) which provides community-level guidance in respect of the Project, including procedures and criteria for the selection, appraisal and implementation of SHG Livelihood Plans (as hereinafter defined), CDPs (as hereinafter defined) and PO Business Plans (as hereinafter defined), as such manual may be amended from time to time by agreement between the Project Implementing Entity and the Association.

8. "DPMU" means the District Project Management Units, referred to in Section A.2 (c) of Schedule 2 to the Project Agreement to be maintained at the district level, for the purpose of providing Project management and support, throughout project implementation.

9. "EMF" means the Project Implementing Entities’ environmental management framework, acceptable to the Association, dated June 2, 2011, and set forth as an annex to the PIP (as hereinafter defined), which provides for the principles and procedures governing the environmental management, mitigation, monitoring and institutional measures to be undertaken in the carrying out of the Project, as such framework may be amended from time to time by agreement between the Project Implementing Entity and the Association.

10. "Financial Management Manual" means the financial management manual, acceptable to the Association, dated September 29, 2011, and set forth as an 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 Project Implementing Entity and the Association.

11. "GAAP" means the governance and accountability action plan, satisfactory to the Association, which sets out the key actions to be undertaken by the Project Implementing Entity to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time by agreement between the Project Implementing Entity and the Association.

12. "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.

13. "Grant Agreement" means any grant agreement referred to in Section B.1 of Schedule 2 to the Project Agreement, entered into between the Project Implementing Entity and a Beneficiary Institution; as such agreement may be amended from time to time by agreement between the Project Implementing Entity and the Association.

14. "Investment Support" means a grant made or proposed to be made by the Project Implementing Entity (as hereinafter defined), out of the proceeds of the Financing allocated from time to time to Part B of the Project, through the DPMU (as hereinafter defined) to a Beneficiary Institution to finance, in whole or in part, an SHG Livelihood Plan (as hereinafter defined), a CDP or PO.
Business Plan (as hereinafter defined), all in accordance with the selection criteria and procedures set forth in the Community Operations Manual and the provisions set forth in Section B of Schedule 2 to the Project Agreement.

15. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.

16. “Participating State” means the Recipient’s north eastern states of Mizoram, Nagaland, Sikkim, and Tripura, which states have been selected on the basis of criteria set forth in the PIP (as hereinafter defined) to assist in the implementation of the Project, or any other north eastern state which may be agreed to between the Recipient and the Association.

17. “PIP” means the Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated September 29, 2011, which describes the Project implementation and institutional arrangements, and is comprised of, among others, the Community Operations Manual, EMF, the Financial Management Manual, the GAAP, the Key Performance Indicators, the Procurement Manual (as hereinafter defined), the Procurement Plan, and the TDF (as hereinafter defined), as such plan may be amended from time to time by agreement between the Project Implementing Entity and the Association.

18. “PO” means a producer organization, duly established in a selected district of the Participating States under the relevant laws of the Recipient, comprised of SHGs (as hereinafter defined) and/or CDGs which may receive an Investment Support under Part B of the Project to implement a PO Business Plan (as hereinafter defined).

19. “PO Business Plan” means a business development plan, prepared by a PO and approved by the Project Implementing Entity, which consists of economic activities to be undertaken by the PO over a period of one (1) year to benefit all members of the PO.

20. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on November 23, 2007 and on behalf of the Recipient on December 3, 2007.


22. “Procurement Manual” means the Procurement Manual set forth as an annex to the PIP, which manual sets out the Project’s procurement management and
institutional arrangements, as such manual may be amended from time to time by agreement between the Project Implementing Entity and the Association.

23. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated September 29, 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.

24. "Project Implementing Entity" or "NELPS" means the North East Livelihood Promotion Society, established and registered under the Recipient’s Societies Registration Act XXI of 1860, as amended to date, and operating according to the Project Implementing Entity’s Legislation (as hereinafter defined).


26. "RPMU" means the Regional Project Management Unit, referred to in Section A.1(a) of Schedule 2 to the Project Agreement.

27. "State Coordination Unit" means the State Coordination Unit, referred to in Section A.2(a) of Schedule 2 to the Project Agreement.

28. "SHG" means a self-help group, consisting of a group of individuals (one member per poor household) in a selected village, duly established under the relevant laws of the Recipient for the purpose of receiving an Investment Support to implement a SHG Livelihood Plan (as hereinafter defined).

29. "SHG Federation" means an organization, duly established under the relevant laws of the Recipient, owned by at least three SHGs and managed by an elected executive committee, which may receive an Investment Support under Part B of the Project.

30. "SHG Livelihood Plan" means a plan of SHG livelihood activities, prepared by an SHG or an SHG Federation and approved by the Project Implementing Entity, which consists, inter alia, of an aggregation of household investment plans for financing the purchase of goods, works and services needed to create assets, generate household income, develop technical skills, access educational and health services and meet specific household consumption needs.

31. "TDF" means the Tribal Development Framework included in the Social Assessment and Tribal Development Framework Report and summarized in the PIP, which sets forth an action plan and measures to ensure that tribal populations within the Project’s area receive social and economic benefits that
are culturally appropriate, as such TDF may be amended from time to time by agreement between the Project Implementing Entity and the Association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).