

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4640-IN

Financing Agreement

(Uttar Pradesh Sodic Lands Reclamation III Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 20, 2009

Public Disclosure Authorized



CREDIT NUMBER 4640-IN

FINANCING AGREEMENT

AGREEMENT dated July 20, 2009, entered into between INDIA, acting by its President (“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 one hundred twenty seven million three hundred thousand Special Drawing Rights (SDR 127,300,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are June 15 and December 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 commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by UPBSN 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:
 - (a) UPBSN’s Memorandum and Articles of Association have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UPBSN to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:
 - (a) The event specified in paragraph (a) 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

By /s/ Anup K. Pujari
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rachid Benmessaoud
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase agricultural productivity on degraded lands in selected areas of Uttar Pradesh by: (a) reversing water-induced land degradation; (b) enhancing soil fertility; and (c) improving the provision of agricultural support services.

The Project consists of the following parts:

Part A: On-Farm Development and Land Treatment

Selection and reclamation of sodic lands (and a pilot on ravine reclamation), through *inter alia*: (a) mobilization of village communities; (b) detailed mapping and classification of sodic lands; (c) formation of water user groups (WUGs); (d) on-farm development through land-leveling, bunding, and linking field drains to link and main drains; (e) provision of shallow tube-wells to help in reclamation operations and provide irrigation; (f) application of chemical/organic amendments and plant nutrients to the soil; and (g) cultivation of rice-wheat-green manure crop.

Part B: Improvement of Drainage Systems

Improvement of drainage networks to remove/leach effluents, excess rain and irrigation water from reclaimed and adjoining areas, through, *inter alia*: (a) rehabilitation of main drains; (b) maintenance of main drains; and (c) provision of drainage network related training to UPBSN and Irrigation Department staff.

Part C: Agriculture Support Services

Introduction of improved technology and better agronomic practices (including effective provision of key support services), through, *inter alia*: (a) provision of training to farmers in effective land and water management practices; (b) dissemination of improved agricultural technology and production practices through on-farm demonstrations; (c) support for livestock production; (d) exposure visits, farmer fairs, animal health camps and other “means” for rural communication and outreach; and (e) provision of training to selected line department staff and other relevant providers of support services to farmers.

Part D: Institutional Strengthening and Capacity Building for Market Access

Provision of technical assistance, training and basic infrastructure (as necessary) to selected stake holders and Project participants, including, *inter alia*: (a) mobilization and capacity building of community based institutions such as WUGs, self help groups (SHGs) and farmer service centers; (b) value chain analysis of selected commodities; (c) support to cluster level producer groups; (d) investment support for productive infrastructure; (e) improving rural market infrastructure; (f) exposure visits and buyer-seller meetings; and (g) organization of innovation forums.

Part E: Project Management

Monitoring of Project implementation progress and outputs/outcomes achieved and knowledge sharing/learning from Project experience, through, *inter alia*: (a) establishing state and district level Project units; (b) creating a project monitoring, evaluation, and learning system to regularly inform project staff and stakeholders of progress and processes; (c) implementation of an external monitoring and evaluation mechanism to track Project progress and confirm reporting from the Project system; (d) technical assistance to improve implementation and nurture innovations in that regard; (e) liaising with project partner organizations, support organizations, external professional agencies and the Association; and (f) documentation of Project experience and its dissemination to the wider development community.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Availability of Funds**

To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Uttar Pradesh in a timely manner satisfactory to the Association.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and shall cause Uttar Pradesh to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month 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 cause Uttar Pradesh to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall 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 Financial Statements shall cover the period of one (1) financial year of the Recipient, commencing with the financial year in which the first withdrawal under the Project was made. The audited Financial Statements for

each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and 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 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:

Procurement Method
(a) National Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association
(b) Shopping
(c) Force Account
(d) Direct Contracting
(e) Community Participation in Procurement

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.

Procurement Method
(a) Selection Made Under a Fixed Budget
(b) Least Cost Selection
(c) Selection Based on Consultant's Qualifications
(d) Single Source Selection

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 are 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, consultants' services, training and operating costs under the Project	127,300,000	80%
TOTAL AMOUNT	127,300,000	

For purposes of this Section IV, the terms:

- (a) "operating costs" means non-consultant expenditures incurred in connection with the carrying out of the Project, including salaries of Project staff; and
- (b) "training" means non-consultant expenditures incurred in connection with the provision of training, including training institution fees, logistics, materials, and the reasonable cost of travel and per diem of trainers and trainees.

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 6,460,000 equivalent may be made for payments made prior to this date but on or after August 1, 2008 for Eligible Expenditures.
2. The Closing Date is December 31, 2015.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing December 15, 2019 to and including June 15, 2029	1.25%
commencing December 15, 2029 to and including June 15, 2044	2.5%

* 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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Association in May 2004 and revised in October 2006.
4. “ESMF” means the Environmental and Social Management Framework, dated June 4, 2009, governing all social and environmental aspects of Project implementation, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental and/or social impacts under the Project, as said framework may be updated from time to time by agreement between the Association and Uttar Pradesh.
5. “Financial Management Manual” means the Project’s financial manual, dated June 3, 2009, which manual contains, *inter alia*, accounting policies and procedures, flow of funds arrangements and procedures for internal control with respect to the carrying out of the Project, as said manual may be amended from time to time by agreement between the Association and Uttar Pradesh.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
7. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
8. “NGO” means non-governmental organization.
9. “MOU” means a memorandum of understanding to be entered into among Uttar Pradesh, UPBSN and Uttar Pradesh line department for the purposes of, *inter alia*, providing all the necessary assistance and cooperation with UPBSN in the implementation of the Project, as said MOU may be amended from time to time by agreement between the Association and Uttar Pradesh.

10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Association in May 2004 and revised in October, 2006.
11. “Procurement Manual” means the Project’s procurement manual dated June 3, 2009, which contains, *inter alia*, procurement policies and procedures with respect to the carrying out of the project, as said manual may be amended from time to time by agreement between the Association and Uttar Pradesh.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 3, 2009 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.
13. “Project Implementation Plan” means the plan referred to in Section I.A.2(a) of the Schedule to the Project Agreement, dated June 4, 2009, as said plan may be amended from time to time by agreement between the Association and Uttar Pradesh.
14. “RRPEF” means the Resettlement and Rehabilitation Policy and Entitlement Framework, dated June 4, 2009, governing all aspects of Project implementation, including measures to manage, adapt and mitigate any adverse social impacts under the Project, as said framework may be updated from time to time by agreement between the Association and Uttar Pradesh.
15. “UPBSN” means Uttar Pradesh Bhumi Sudhar Nigam (or Uttar Pradesh Land Development Corporation), a government company established under the Recipient’s Companies Act of 1956 (as amended to date) and operating according to its Memorandum and Articles of Association, dated March 30, 1978 (as amended to date), acting as Project Implementing Entity for purposes of the Project.
16. “Uttar Pradesh” means the State of Uttar Pradesh, a State of the Recipient, or any other successor thereto, any reference to Project Implementing Entity in the General Conditions shall be deemed to be a reference to Uttar Pradesh and UPBSN.