

CONFORMED COPY

CREDIT NUMBER 4472-IN

Financing Agreement

(Orissa Rural Livelihoods Project – “TRIPTI”)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 27, 2009

CREDIT NUMBER 4472-IN

FINANCING AGREEMENT

AGREEMENT dated January 27, 2009, 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 the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.
- 1.03. References in this Agreement and in the General Conditions to the Project Implementing Entity shall be construed as references to the State of Orissa.

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 fifty million six hundred thousand Special Drawing Rights (SDR 50,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III – THE PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the 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 – EFFECTIVENESS; TERMINATION

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

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is any 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.
- 5.02. The Recipient's Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance, North Block
New Delhi 110 001, India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23093422

- 5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED in New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Dr. Alok Sheel
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zaghera
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Project Implementing Entity in enhancing the socio-economic status of the poor, especially poor women and disadvantaged groups, in selected districts in the Project Area.

The Project consists of the following components:

Part A: Institution Building and Strengthening

- (a) Formation and strengthening of Self Help Groups (SHG), and panchayat, block and district-level federations, and selection of community resource persons (CRPs) to engage in livelihood activities.
- (b) Developing Project staff with project management skills at state, district, block and cluster levels.
- (c) Supporting SHGs to develop direct linkages with financial and technical service providers including commercial banks.
- (d) Training SHGs and CRPs in community social accountability mechanisms to ensure transparency and good governance in SHGs and CRPs and build effective service delivery partnerships with local governments.

Part B: Community Investment Fund

Establishment of a Community Investment Fund (CIF), comprising: (a) a community fund to be used for the transfer of financial resources to GPLFs and BLFs in the form of grants for on-lending or granting purposes designed to finance household MIPs in the areas of asset creation, household needs and livelihoods enhancement; and (b) a pro-poor inclusion fund to be used to provide grants for the benefit of poor and vulnerable groups to enable them to organize themselves into SHGs.

Part C: Livelihood Promotion Fund

Establishment of a Livelihood Promotion Fund (LPF) to be used to support:

- (a) value chain financing proposals focusing on key commodities and products and designed to enhance livelihoods through strategic investments based on a value-chain analysis, including carbon finance opportunities;

- (b) skills training linked to service sector jobs for the benefit of rural youth drawn from SHG households; and
- (c) a livelihood innovations development marketplace designed to encourage innovations and stimulate new ideas in terms of livelihood development.

Part D: Project Management, Knowledge Management and Replication

Monitoring of project implementation progress and outputs/outcomes achieved, and best practice/knowledge sharing from project experience, to be scaled up to other districts in Orissa.

SCHEDULE 2

Project Execution

Section I. Implementing Arrangements

A. Availability of Funds

To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity, in a 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, Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover a 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 prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal 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 Schedule.
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 Schedule.
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, subject to the following additional requirement, namely, that standard bidding documents and procedures approved by the Association shall be used.
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 between the Recipient and the Association
(b) Shopping
(c) Direct Contracting
(d) 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, subject to the following additional requirement, namely, that the Standard Request for Proposal documents and procedures approved by the Association shall be used.
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) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultants Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants as per the Guidelines

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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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, the allocation of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Goods, works, and services, training and workshops, Operating Costs and Grants to Beneficiaries	50,600,000	90%
TOTAL AMOUNT	50,600,000	

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 1,230,000 from the Credit may be made for payments made prior to this date but on or after September 1, 2007.
2. The Closing Date is December 31, 2013.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
Commencing January 15, 2019, to and including July 15, 2028	1.25%
commencing January 15, 2029, to and including July 15, 2043	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. “Beneficiary” means an eligible GPLF or BLF (as these terms are hereinafter defined) which is a recipient of a Grant (as this term is hereinafter defined).
3. “Beneficiary Agreement” means an agreement to be entered into between the Project Implementing Entity and a Beneficiary for financing a MIP (as this term is hereinafter defined) and which shall include the terms and conditions set forth in the COM and PIP (as these terms are hereinafter defined), as these may be amended from time to time with agreement of the Association; and such term includes any schedule or addendum to the Beneficiary Agreement.
4. “BLF” means a Block Level Self Help Group Federation.
5. “BPFTs” means Block Project Facilitation Teams to be established and maintained in the Project Area (as this term is hereinafter defined) and responsible for Project coordination activities and the facilitation of Project implementation by SHGs (as this term is hereinafter defined).
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “CIF” means Community Investment Fund established by the Project Implementing Entity under Part B of the Project.
8. “COM” means the Community Operational Manual dated April 25, 2008, prepared and adopted by the Project Implementing Entity and acceptable to the Association, containing, *inter-alia*, the operating procedures for carrying out the Project, the community level institutional arrangements, procedures and criteria for selection, appraisal and implementation of MIPs (as this term is hereinafter defined), as such may be amended from time to time with the Association.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October, 2006.
10. “DPMUs” means the District Project Management Units responsible for the implementation of all project-related administrative, financial and technical approvals at the district level and for management of all civil works, goods and

services; achievement of physical and financial milestones; quality and assurance; and working closely with communities to achieve the Project development objectives.

11. “EMF” means the Environmental Management Framework, dated March 17, 2008, prepared and adopted by the Project Implementing Entity, and acceptable to the Association, governing all social and environmental aspects of Project implementation, including measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental and/or social impacts under the Project.
12. “FM” means the Orissa Rural Livelihoods Financial Rules and Regulations and Project Financial Manual, dated March 24, 2008, prepared by the OPRM (as this term is hereinafter defined).
13. “Fiscal Year” means the Recipient’s fiscal year beginning April 1 and ending March 31 the following year.
14. “GAAP” means the Project Governance and Accountability Action Plan, dated July 11, 2008, prepared and adopted by the Project Implementing Entity, and acceptable to the Association.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants,” dated July 1, 2005 (as amended through October 15, 2006).
16. “GPLF” means a Gram Panchayat Level Federation of SHGs (as this term is hereinafter defined).
17. “Grant” means a grant made or proposed to be made by the Project Implementing Entity (as this term is hereinafter defined) to a Beneficiary out of the proceeds of the Credit allocated from time to time to Part B of the Project, to finance the carrying out of an MIP (as this term is hereinafter defined, in accordance with the criteria and procedures set forth in the COM and the PIP (as this term is hereinafter defined) and consistent with the Project Agreement.
18. “LPF” means Livelihood Promotion Fund established by the Project Implementing Entity under Part C of the Project.
19. “MIPs” means Micro Investment Plans, an aggregation of Household Investment Plans developed at the SHG (as this term is hereinafter defined) level for financing asset creation, income generating activities, skill development, access to education and health services, specific consumption needs and retiring high cost debts.

20. “Monitoring and Evaluation (M&E) Agency” means the Project Implementing Entity’s external monitoring unit designed to conduct a Project baseline survey, as well as other audits at mid-term and Project completion to assess the implementation of the Project.
21. “NGO” means a non-governmental organization.
22. “Operating Costs” means reasonable and necessary expenditures incurred by the SPMU (as this term is hereinafter defined) and other agencies for purposes of implementing the Project, including costs of operation and maintenance of offices, payments to contract staff, salaries of incremental non civil servant staff, and travel allowances of Project staff incurred with respect to Project implementation, coordination, and monitoring.
23. “OPRM” means the Orissa Poverty Reduction Mission, a society registered under the Registration of Societies Act XXI of 1860, as amended to date, and operating according to its Memorandum of Association and By-laws.
24. “PIP” means the Project Implementation Plan, dated July 11, 2008 and adopted by the Project Implementing Entity, as may be amended with the prior agreement of the Association, containing, *inter-alia*, the procedures for implementing the Project, including the EMF, GAAP and M&E, and also including the criteria for the financing of SHGs for MIPs (as these terms are hereinafter defined), and the procedures for carrying out MIPs.
25. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
26. “Procurement Plan” means the Project Implementing Entity’s (as this term is hereinafter defined) procurement plan for the Project, dated June 18, 2008, 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.
27. “PRMAP” means the Project’s Procurement Risk Mitigation Action Plan, prepared by the SPMU (as this term is hereinafter defined) that outlines the actions to be taken by the SPMU to reduce and mitigate procurement risks under the Project at all levels and included as part of the PIP.
28. “Project Area” means the villages in 38 blocks in ten districts of Angul, Balasore, Bhadrak, Cuttack, Jagatsinghpur, Jajpur, Kendrapada, Khurda, Nayagarh, and Puri, consisting of about 300,000 households.

29. “Project Director” means the director of the Project, employed by the Project Implementing Entity to head the SPMU (as this term is hereinafter defined).
30. “SHGs” means Self Help Groups which are community groups that follow criteria developed by the National Bank for Agriculture and Rural Development recognized as credit-worthiness indicators by commercial banks, and that engage in, *inter-alia*, thrift, credit and economic activities and which may combine and form federations at the block and gram panchayat levels, i.e., BLFs and GPLFs respectively.
31. “SPMU” means the Project Implementing Entity’s State Project Management Unit responsible for Project coordination activities and the facilitation of Project implementation by the line departments and other agencies of the Project Implementing Entity.
32. “SPO” means a service provider organization.
33. “TDP” means Tribal Development Plan dated March 17, 2008, prepared by the Project Implementing Entity and acceptable to the Association, describing the approach, strategy and measures to be followed to ensure that tribals participate in and benefit from the Project.
34. “TRIPTI” means Targeted Rural Initiatives for Poverty Termination and Infrastructure.