

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4837-IN

Financing Agreement

(Additional Financing for Tamil Nadu Empowerment and Poverty Reduction
“Vazhdhu Kaattuvom” Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 23, 2010

CREDIT NUMBER 4837-IN

FINANCING AGREEMENT

AGREEMENT dated December 23, 2010, entered into between INDIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to 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 ninety nine million Special Drawing Rights (SDR 99,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 1 and July 1 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 USD.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause each of Tamil Nadu and the Tamil Nadu Vazhndhu Kaattuvom Society, respectively, to carry out their Respective Parts of the Project 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 consists of the following:
- (a) The Memorandum of Association or Bylaws of the Tamil Nadu Vazhndhu Kaattuvom Society has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Tamil Nadu Vazhndhu Kaattuvom Society to perform any of its obligations under the Tamil Nadu Vazhndhu Kaattuvom Society Project Agreement.
 - (b) The Memorandum of Association or the Bylaws of a significant number of District Societies has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of a significant number of District Societies to perform any of its obligations under the District Participating Agreements.
- 4.02. The Additional Events of Acceleration consists 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: 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

AGREED at Chennai, India, as of the day and year first above written.

INDIA

By /s/ Venu Rajamony

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zaghera

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to empower the poor and improve their livelihoods through:

- (a) developing, strengthening and synergizing pro-poor local institutions and groups (including Village Panchayats);
- (b) enhancing skills and capacities of the poor (especially women and the vulnerable); and
- (c) financing productive demand-driven investments related to livelihoods for the target poor.

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: Village Livelihood Program

1. Formation and Strengthening of Village Institutions:

Provision of support (including through PFTs) to develop and strengthen inclusive, self-reliant, self-managed and sustainable CBOs such as Self Help Groups and Federations, Village Poverty Reduction Committees, Village Panchayats and Gram Sabhas for livelihood improvement, including through the provision of goods, works and services and Project management costs.

2. Village Funds:

Provision of Village Grants to:

- (a) each VPRC to: (i) build capacity of communities to plan and implement Subprojects; (ii) provide seed funds for new Self Help Groups; (iii) develop skills and provide job opportunities-related training; and (iv) provide special assistance to the differently abled and socially and economically vulnerable to ensure that they benefit from the Project;
- (b) Village Panchayats to improve their governance so that they become more effective, pro-poor, accountable and responsive to the needs and demands of the village community especially the poorest, the vulnerable, the women and youth in the village; and

- (c) Federations (including Panchayat level federations) to strengthen CBOs and better serve the needs of the poor in the long term through, *inter-alia*, the development and implementation of productive livelihood Subprojects.

Part B: District and State Support to Village Livelihood Program

Provision of support and strengthening to Project entities involved in Project implementation (including SPMU and DPMUs and Support Organizations), including the provision of goods and services, so that such Project entities may better respond to the needs of the poor, build institutional linkages and promote and support livelihood options for the enhanced sustainability of the livelihoods of the poor.

Part C: Project Management

Provision of support to facilitate overall co-ordination, implementation, monitoring, evaluation of, and learning under, the Project at state and district levels, including through technical advisory services, the provision of goods (including equipment), training, carrying out studies and the provision of project management costs and *inter alia*, setting up and strengthening SPMU and DPMUs.

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 Tamil Nadu, 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 Tamil Nadu 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 Tamil Nadu 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 Tamil Nadu to, prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter, Interim Unaudited Financial Reports (IUFRR) for the Project covering the quarter, in form and substance satisfactory to the Association. Said IUFRRs will also serve as a basis for disbursement of the Credit for Eligible Expenditures incurred during said quarter.

3. The Recipient shall, or shall cause Tamil Nadu to, 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) 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 and works shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association.
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 set forth in the Procurement Plan
(b)	Shopping
(c)	Direct Contracting
(d)	Community 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 Under a Fixed Budget
(b)	Selection Based on Consultant's Qualifications
(c)	Single Source Selection
(d)	Selection of Individual Consultants

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.

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 (inclusive of Taxes)
(1) Works, goods (including non-consulting services), consultants' services, Village Grants, training and operating costs under:		
(a) Part A.1: Formation and Strengthening of Village Institutions	9,200,000	80%
(b) Part A.2: Village Funds	81,700,000	80%
(2) Works, goods (including non-consulting services), consultants' services, training and operating costs under Part B of the Project	2,500,000	80%
(3) Works, goods (including non-consulting services), consultants' services, training and operating costs under Part C of the Project	5,600,000	80%
TOTAL AMOUNT	99,000,000	

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, and the reasonable cost of travel and per diem of trainers and trainees; and
- (b) the term "operating costs" means the incremental costs related to the Project, including *inter alia*, vehicle rental and operating charges (including insurance, fuel, maintenance, and insurance), maintenance of office equipment, office rent, office supplies, telephone and other communications charges, salaries and per diem of contract staff and officials of the Recipient's civil service serving on full-time deputation to the Project.

3. The Closing Date is September 30, 2014.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1	
Commencing January 1, 2021 to and including July 1, 2030	1.25%
commencing January 1, 2031 to and including July 1, 2045	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 with the modifications set forth in Section II of this Appendix.
2. “Beneficiary” means an eligible VPRC, Village Panchayat or a Federation which is the beneficiary of a Village Grant.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CBO” means a community based organization.
5. “Community Operational Manual” or “COM” means the community operational manual prepared by Tamil Nadu and the State Society for carrying out Part A of the Project, dated June 30, 2005 (as amended to the date of this Agreement), and outlining the community level institutional arrangements, procedures and criteria for selection, appraisal and implementation of Subprojects, as may be amended from time to time by agreement between the Association and the State Society.
6. “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 and May 2010.
7. “District Participating Agreement” means an agreement to be entered into between the Tamil Nadu Vazhndhu Kaattuvom Society and a District Society participating in the Project in accordance with Section I.A.5(a) of Schedule 1 to the Tamil Nadu Vazhndhu Kaattuvom Society Project Agreement, and the procedures and policies set forth in the Project Implementation Plan and the Community Operational Manual, under which funds for Village Grants are provided and which agreement includes the terms and conditions set forth in paragraph 3 of Part A of Schedule 3 to the Tamil Nadu Vazhndhu Kaattuvom Society Project Agreement.
8. “District Project Management Unit” or “DPMU” means each district project management unit established within each District Society for assisting in carrying out the Project in such district.
9. “District Society” means a district Tamil Nadu Vazhndhu Kaattuvom Society established and registered under the Tamil Nadu Societies Registration Act,

1975, as amended to date, and operating in districts selected under the Project and according to its Memorandum of Association and Bylaws.

10. “Environmental Management Framework” means the framework, dated May 3, 2005, and amended on August 3, 2010, prepared by Tamil Nadu and furnished to the Association, governing all social and environmental aspects of Project and Subproject implementation, and containing, *inter alia*, a pest management plan, the objective of which is to mitigate the environmental and social impacts of Subprojects, and maximize the social and environmental benefits occurring under the Project, and which includes measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental and/or social impacts under the Project.
11. “Federation” means a federation of either Self Help Groups, VPRC or other eligible community groups engaged in common livelihood activities and which are participating in Project implementation.
12. “GAAP” means the Recipient’s Governance and Accountability Action Plan set forth as Chapter N of the Project Implementation Plan (as hereinafter defined), which identifies key governance issues and sets forth mitigation measures to address said issues in respect of the carrying out of Project activities, as said Plan may be amended from time to time with the concurrence of the Association.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
14. “Gram Sabha” means a general body of persons registered in the electoral roll relating to the Panchayat, comprised within the areas of the Village Panchayat; as the same is more particularly defined in Chapter 2(3) of the Tamil Nadu Panchayats Act, 1994.
15. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
16. “NGO” means non-governmental organization.
17. “Original Credit Agreement” means the development credit agreement for the Tamil Nadu Empowerment and Poverty Reduction “Puthu Vazhvu” Project between the Recipient and the Association, dated September 14, 2005 (Credit No.4103-IN).
18. “Original Project” means the Project described in the Original Credit Agreement.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.

20. “Procurement Plan” means the procurement plan for the Project, dated August 3, 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.
21. “Project Facilitation Team” or “PFT” means the cluster-level staff for facilitating Project implementation at the cluster level.
22. “Project Implementation Plan” means the implementation plan of the Tamil Nadu Vazhndhu Kaattuvom Society for the Project, dated June 30, 2005, and amended on August 3, 2010, including time-bound action plans, procedures and criteria agreed with the Association for Project implementation (including the criteria of the selection of Districts under the Project) as the same may be modified during the Project implementation period.
23. “Self Help Group” means a community group engaged in thrift, credit and economic activities.
24. “SPMU” means the state project management unit established within the Tamil Nadu Vazhndhu Kaattuvom Society for assisting in carrying out the Project.
25. “Subproject” means an activity under Part A.2 of the Project to be financed by a Village Grant, which meets the criteria set forth in the Community Operational Manual and in respect of which a Subproject Agreement has been entered.
26. “Subproject Agreement” means an agreement to be entered into between a District Society and a Beneficiary for the carrying out of a Subproject and which shall include the terms and conditions set forth in the Community Operational Manual and the terms and conditions set forth in Part B of Schedule 3 of the Tamil Nadu Vazhndhu Kaattuvom Society Project Agreement; as the same may be amended from time to time, and such term includes any schedule or addendum to the Subproject Agreement
27. “Support Organization” or “SO” means a support organization including NGOs, institutions or community based-organization.
28. “Tribal Development Plan” means the strategy set forth as Chapter U of the PIP, dated May 3, 2005, and amended on August 3, 2010, prepared in consultation with the local communities in districts participating in the Project to ensure that the scheduled tribes benefit from the activities financed under the Project.
29. “Tamil Nadu Vazhndhu Kaattuvom Society” means a state society approved by the State of Tamil Nadu under Government Order No. 64 dated April 29, 2005, as amended to the date of this Agreement, and operating according to its Memorandum of Association and Bylaws.

30. “Tamil Nadu Vazhndhu Kaattuvom Society Project Agreement” means the agreement between the Association and the Vazhndhu Kattuvom State Society of even date herewith, as the same may be amended from time to time, and such term includes all Schedules and agreements supplemental to the Tamil Nadu Vazhndhu Kaattuvom Society Project Agreement.
31. “Village Grant” means a grant provided by a District Society to a Beneficiary under Part A.2 of the Project.
32. “Village Panchayat” means any local areas over which the Panchayat has jurisdiction as the same is more particularly defined under the Tamil Nadu Panchayats Act, 1994.
33. “Village Poverty Reduction Committee” or “VPRC” means a village organization established under Government of Tamil Nadu Order No. 34, Social Welfare and Nutritious Meals Programme Department dated March 9, 2005 and being a CBO representing a village in preparation and implementation of a Subproject.
34. “Vulnerable Groups” means, *inter alia*, destitutes, widows, deserted women, the aged, orphans and differently abled persons, or any other group which meets the eligibility criteria set forth in the Community Operations Manual.

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.”

