

CONFORMED COPY

CREDIT NUMBER 4978-IN

Financing Agreement

(National Rural Livelihoods Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 2011

CREDIT NUMBER 4978-IN

FINANCING AGREEMENT

AGREEMENT dated July 18, 2011, 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 six hundred thirty five million eight hundred thousand Special Drawing Rights (SDR 635,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The interest payable by the Recipient on the Withdrawn Credit Balance shall be equal to 1.25% per annum. The interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in

arrears. The interest shall be computed on the basis of a 360-day year of twelve (12) 30-day months.

- 2.06. The Payment Dates are January 1 and July 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 objectives of the Project. To this end, the Recipient shall carry out the Project through MORD 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, through MORD, shall carry out the Project in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — 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 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.
- 5.02. 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

5.03. 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/ Venu Rajamony
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hubert Nove-Josserand
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to establish efficient and effective institutional platforms of the rural poor to enable them to increase household income through sustainable livelihood enhancements, and improved access to financial and selected public services.

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: Institutional and Human Capacity Development

Facilitate the provision of high quality technical assistance in the field of rural livelihoods promotion by:

1. establishing a team of high quality professionals to provide technical assistance to Participating States in various thematic areas, including *inter alia*, community mobilization, livelihood promotion, financial inclusion, human resource management, monitoring and evaluation, environment management, and fiduciary management.
2. supporting the development of partnerships with well established training and research institutions in the field of rural development throughout India to deliver focused training programs for successful implementation of the Project and related activities in the rural development sector.

Part B: State Livelihood Support

Provision of support to the Participating States to establish the necessary institutional architecture for the implementation of Project activities, including Investment Support to Beneficiary Institutions, including:

1. supporting the formation of autonomous and professionally managed project missions at the state-level comprised of multi-disciplinary teams with expertise in, *inter alia*: social mobilization, institution building, capacity building, microfinance, farm and non-farm livelihoods, and job employment.
2. supporting the identification, selection, and mobilization of Beneficiary Institutions.
3. providing Investment Support to Beneficiary Institutions to enable them to undertake productive livelihood enhancing initiatives.

4. supporting activities that have potential for scaling-up and replication including, *inter alia*, health and nutrition, green opportunities, resilience climate change, value-chain development and usage of new technologies for financial inclusion.

Part C: Innovation and Partnership Support

Establishment of an institutional mechanism to identify, nurture and support innovative ideas from across India to address the livelihood needs of the rural poor, including:

1. supporting selected innovations identified through development marketplace-type forums that have the potential to be scaled-up.
2. supporting the development of a network of grassroots innovators and social entrepreneurs at state and national level.
3. developing and supporting effective partnerships with the private sector, foundations, public corporations and civil society organizations on livelihoods development for the rural poor throughout India.

Part D: Project Implementation Support

Establishing an effective project management unit at the national level that develops key systems and processes for coordination and management of the Project, including:

1. strengthening the various functions of the NMMU to enable it to manage, deliver and support all aspects of the Project.
2. developing a comprehensive and robust monitoring and evaluation system, including an integrated management information system.
3. developing a responsive governance and accountability mechanism to ensure that all aspects of the Project shall be implemented in accordance with the provisions of this Agreement.
4. establishing a variety of products and services to enhance the generation and use of knowledge management activities as a key tool for enhancing the quality of Project implementation.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements*****At the Central Level***

1. Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient, through MORD, shall, and shall cause each Participating State to:
 - (a) carry out the Project in accordance with the PIP, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the SPIP, the EMF and the SMF; and
 - (b) not amend or waive any provision of the PIP, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the SPIP, the EMF and the SMF, except as the Recipient and the Association shall otherwise agree. In the event of a conflict between the provisions of the PIP and those of this Financing Agreement, the provisions of the latter shall prevail.
2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.
3. The Recipient, through MORD, shall:
 - (a) maintain, at all times during Project implementation, a national mission management unit, with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to coordinate and monitor the carrying out of the Project;
 - (b) staff the NMMU at all times during Project implementation, led by a mission director and a chief operations officer, assisted by adequate professional and administrative staff (including procurement, financial management, technical, environmental and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference satisfactory to the Association; and
 - (c) maintain, at all times during Project implementation, the PIP.

At the State Level

4. The Recipient, through MORD shall, and shall cause each Participating State to:
 - (a) maintain, at all times during Project implementation, a State Mission Management Unit, with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to coordinate and monitor the carrying out of the Project at the State level;
 - (b) staff the SMMU at all times during Project implementation, led by a state mission director, assisted by adequate professional and administrative staff (including procurement, financial management, technical, environmental and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference satisfactory to the Association; and
 - (c) maintain, at all times during Project implementation, the SPIP.

B. Terms and Conditions Governing Investment Support

1. The Recipient, through MORD, shall cause each Participating State to make an Investment Support to a Beneficiary Institution in accordance with terms and conditions approved by the Association set forth in the respective Federation Grant Agreement, including those set forth in the SPIP, which shall include, *inter alia*, the obligation of each Participating State to:
 - (a) obtain rights adequate to protect its interests and those of the Recipient, the Association and the respective Participating State, including the right to (i) suspend or terminate the right of the Beneficiary Institution to use Investment Support proceeds, and (ii) take all necessary actions to obtain a refund of all or any part of the amount of Investment Support proceeds then withdrawn, upon the Beneficiary Institution's failure to perform any of its obligations under the Federation Grant Agreement;
 - (b) take all necessary steps to ensure that the Beneficiary Institution shall carry out its obligations under its Federation Grant Agreement with due diligence and efficiency and pursuant to the criteria and procedures set forth in the SPIP, and in accordance with the provisions of the EMF, the SMF, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the GAAP;
 - (c) promptly release the Investment Support to the Beneficiary Institutions upon approval of a Federation Livelihood Plan.

2. The Recipient, through MORD, shall cause each Participating State to exercise its rights under each Federation Grant Agreement in such manner as to protect the interests of the Recipient, the Association and each Participating State and to accomplish the purposes of the Financing.
3. The Recipient, through MORD, shall cause each Participating State to take all necessary steps to ensure that each Beneficiary Institution shall be obligated, under its respective Federation Grant Agreement, to:
 - (a) maintain a financial management system and prepare financial statements in accordance with the procedures set forth in the SPIP, so as to adequately reflect the operations carried out with the proceeds of the Investment Support;
 - (b) enable the Recipient, through MORD, the Association and the respective Participating State to inspect the activities, facilities and/or operations financed out of the Investment Support proceeds, and any relevant records and documents; and
 - (c) prepare and furnish to the Recipient, through MORD, the Association and the respective Participating State such information as the Recipient, through MORD, the Association or the respective Participating State shall reasonably request.

C. Anti-Corruption

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

D. Environmental and Social Safeguards

The Recipient, through MORD, shall, and shall cause each Participating State to:

1. carry out the Project in accordance with the agreed EMF and the SMF in a manner satisfactory to the Association;
2. ensure that the environmental and social performance indicators contained in the EMF and the SMF are updated and monitored regularly, in agreement with the Recipient and the Association;
3. include as part of the report referred to in Section II.A of this Schedule progress reports on compliance with social and environmental safeguard measures under the Project, detailing measures taken in furtherance of the EMF and the SMF, and of conditions, if any, which interfere or threaten to interfere with the smooth

implementation of the EMF and SMF, and remedial measures taken or required to be taken to address such conditions;

4. ensure that the Project is implemented, as far as reasonably practicable, using exclusively land free from encroachments or other encumbrances, and without recourse to compulsory acquisition of private land, forcible eviction or involuntary resettlement of persons; and
5.
 - (a) carry out an independent audit of the implementation of the EMF and the SMF every year of Project implementation (starting from the second year of project implementation);
 - (b) prepare and furnish a report on the results of each said audit to the Association within ninety (90) days from the completion of each said audit; and
 - (c) continue implementing the Project in accordance with the recommendations of said report, as agreed to between the Recipient and the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient, through MORD, shall monitor and evaluate the progress of the Project and shall 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, through MORD, shall maintain, or cause the Participating State 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, through MORD, shall, or shall cause the Participating State, to prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient, through MORD, shall, or shall cause the Participating State 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, 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 the Procurement Guidelines, or 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 service 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, Works and Non-consulting Services.** The following table specifies 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:

Procurement Method
(a) National Competitive Bidding (Open Tendering), subject to the additional provisions set forth in the Procurement Plan
(b) Shopping (Limited Tendering and Shopping)

(c) Force Account
(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.
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
(e) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Manual and 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, operating costs under Parts A, B1, B4, C and D of the Project	314,300,000	100%
(2) Goods, non-consulting services, consultants' services, operating costs and Investment Support under Part B2 and B3 of the Project	321,500,000	75%
TOTAL AMOUNT	635,800,000	

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 for the purposes of carrying out the Project, including dissemination of Project-related information, office rent and utilities, office and equipment insurance, office maintenance and repair, vehicle maintenance and repair, communication, 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 15,000,000 equivalent may be made for payments made prior to this date but on or after February 1, 2011 for Eligible Expenditures.
2. The Closing Date is December 31, 2016.

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, 2017 to and including July 1, 2026	1.65%
commencing January 1, 2027 to and including July 1, 2036	3.35%

* 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 and revised in January 2011.
2. “Beneficiary Institution” means either a Federation (as hereinafter defined) which has been selected by a Participating State (as hereinafter defined), pursuant to the selection criteria set out in the SPIP (as hereinafter defined), to receive an Investment Support (as hereinafter defined) to finance, in whole or in part, the carrying out of a Federation Livelihood Plan (as hereinafter defined) pursuant to a Federation Grant Agreement (as hereinafter defined) and in accordance with the terms and conditions set forth in Section I.B of Schedule 2 to this Agreement and the SPIP (as hereinafter defined).
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
5. “EMF” means MORD’s environmental management framework, acceptable to the Association, dated March 25, 2011, and set forth as Annex 3 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 Recipient and the Association.
6. “Federation” means a group comprised of poor rural households, duly established under the laws of a Participating State, managed by an executive committee elected by said group, which may receive an Investment Support under Part B of the Project.
7. “Federation Grant Agreement” means the grant agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, entered into between a Participating State and a Beneficiary Institution, as such agreement may be amended from time to time by agreement between the Recipient and the Association.
8. “Federation Livelihood Plan” means a plan of Federation livelihood activities, prepared by a Beneficiary Institution and approved by the relevant Participating

State, 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.

9. “Financial Management Manual” means MORD’s financial management manual, acceptable to the Association, dated March 25, 2011, and set forth as Annex 1 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 Recipient and the Association.
10. “GAAP” means the governance and accountability action plan, satisfactory to the Association, adopted by the Recipient, through MORD, and each Participating State, which sets out the key actions to be undertaken by the Recipient and each Participating State (as hereinafter defined) to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time by agreement between the Recipient and the Association.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
12. “Investment Support” means a grant made or proposed to be made by a Participating State (as hereinafter defined), out of the proceeds of the Financing allocated from time to time to Part B of the Project, to a Beneficiary Institution to finance, in whole or in part, the technical assistance needs of a Federation, or a Federation Livelihood Plan (as hereinafter defined), all in accordance with the selection criteria and procedures set forth in the SPIP (as hereinafter defined) and the provisions set forth in Section I.B of Schedule 2 to this Agreement.
13. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
14. “MORD” means the Recipient’s Ministry of Rural Development, or any successor thereto.
15. “NMMU” means the National Mission Management Unit, referred to in Section I.A.3(a) of Schedule 2 to this Agreement, to be maintained by MORD for the purpose of providing Project management and support throughout project implementation.
16. “Participating State” means a Recipient’s state to be selected on the basis of criteria set forth in the PIP (as hereinafter defined) to assist the Recipient, through MORD, in the implementation of the Project.

17. “PIP” means the Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated March 25, 2011, which describes the Project implementation and institutional arrangements, and is comprised of, among others, the EMF, the Financial Management Manual, the GAAP, the Key Performance Indicators, the Procurement Manual (as hereinafter defined) and the SMF (as hereinafter defined), as such plan may be amended from time to time by agreement between the Recipient and the Association.
18. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants” published by the Bank in January 2011.
19. “Procurement Manual” means the Procurement Manual set forth as Annex 2 to the PIP, which manual sets out the procurement management and institutional arrangements and obligations under the Project, as such manual may be amended from time to time by agreement between the Recipient and the Association.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 25, 2011 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. “SMF” means MORD’s Social Management Framework set forth as Chapter 17 of the PIP, which provides for principles and procedures governing the social management, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse social impact under the Project, as such SMF may be amended from time to time by agreement between the Recipient and the Association.
22. “SMMU” means the State Mission Management Unit, referred to in Section I.A.4 (a) of Schedule 2 to this Agreement, to be maintained by each Participating State for the purpose of providing Project management and support, at the state level, throughout project implementation.
23. “SPIP” means each Participating State’s operations manual, acceptable to the Association, which provides state level guidance in respect of the Project, including procedures and criteria for the selection, appraisal and implementation of Federation Livelihood Plans (as defined hereinafter), including the relevant audit requirements for each of the Participating States (as necessary), as such manual may be amended from time to time by agreement between the Recipient and the Association.