

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4809-IN

Financing Agreement

(Maharashtra Agricultural Competitiveness Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 2, 2010

Public Disclosure Authorized

CREDIT NUMBER 4809-IN

FINANCING AGREEMENT

AGREEMENT dated November 2, 2010, 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 sixty five million nine hundred thousand Special Drawing Rights (SDR 65,900,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 15 and September 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 the Recipient's State of Maharashtra 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 — TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. Except as provided in Section 2.02 of this Agreement, 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.
- 5.02. 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

- 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/ N. Roberto Zaghera
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase the productivity, profitability and market access of the farming community in Maharashtra.

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 objective:

Part A: Intensification and Diversification of Market-Led Production

Enabling farmers participating in the Project to take advantage of growing consumer demand and evolving marketing channels by: (i) supporting agriculture technology transfer and the implementation of marketing strategies; (ii) facilitating exchange of information among farmers and agribusinesses on emerging marketing opportunities; (iii) providing market intelligence; and (iv) strengthening livestock support services in Maharashtra.

Part B: Improving Farmer Access to Markets

1. Promoting alternative markets to the existing regulated wholesale markets and linking farmers to said alternative markets by: (i) organizing farmer producer groups and associations; (ii) implementing a warehouse receipts system and providing farmers access to electronic exchanges; (iii) strengthening rural market infrastructure; and (iv) piloting e-trading of agricultural commodities.
2. Modernizing and upgrading: (i) selected agricultural wholesale markets; and (ii) livestock markets by enhancing efficiency and reducing transaction costs.

Part C: Project Management, Learning and Adjusting

Support to the PCU and PIUs for Project management, implementation, coordination, monitoring, reporting and evaluation (including audits).

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 Maharashtra, 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 Maharashtra to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause Maharashtra 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. Said IUFRs 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 Maharashtra to, have the Designated Account and 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 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 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 Manual and 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 Based 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 Manual and the Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality Based Selection
(b) Selection Made Under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single Source Selection
(f) 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. 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, consultants' services, training and operating costs under the Project	65,900,000	90% exclusive of Beneficiary contributions (when applicable)
TOTAL AMOUNT	65,900,000	

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 the incremental costs incurred by Maharashtra for the purposes of carrying out the Project, including salaries of Project staff, dissemination of Project related information, office and equipment purchase, maintenance and repair, vehicle maintenance and repair, travel, security, communication, bank charges, and other 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 400,000 equivalent may be made for payments made prior to this date but on or after October 1, 2009 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 March 15 and September 15:	
commencing March 15, 2021 to and including September 15, 2030	1.25%
commencing March 15, 2031 to and including September 15, 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 III of this Appendix.
2. “APMC” means Agricultural Produce Market Committee, a committee constituted and operating under the laws of Maharashtra pursuant to the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963.
3. “ATMA” means Agriculture Technology Management Agency, an agency established under the laws of Maharashtra pursuant to the Societies Registration Act, 1860.
4. “Beneficiary” means, with respect to Part B.1(i) of the Project, a Producer Association (as this term is hereinafter defined), with respect to Part B.1(iii) of the Project, a Panchayat (as this term is hereinafter defined) and, with respect to Part B.2(i) of the Project, the APMC.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
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. “ESMF” means the Environmental and Social Management Framework, dated May 14, 2010, 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, together with guidelines for the carrying out of consultations with potentially affected tribal communities in accordance with a tribal development strategy prepared by the Project Implementing Entity and approved by the Association, which strategy is an integral part of the ESMF, as said framework may be updated from time to time by agreement of Maharashtra and the Association.
8. “Financial Management Manual” means the Project’s financial manual, dated August 20, 2010, 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 of Maharashtra and the Association.

9. “GAAP” means the governance and accountability action plan, satisfactory to the Association, adopted by Maharashtra, which sets out the key actions to be undertaken by and Maharashtra to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time by agreement between Maharashtra and the Association.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
11. “HPTT” means the Horticulture Processing Training Institute within the Department of Agriculture and Animal Husbandry, Dairy Development and Fisheries of Maharashtra.
12. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
13. “Line Departments” means, collectively, Maharashtra’s Department of Cooperation, Marketing and Textiles and Maharashtra’s Department of Agriculture and Animal Husbandry, Dairy Development and Fisheries.
14. “MSAMB” means Maharashtra State Agriculture Marketing Board, a board established under the laws of Maharashtra on March 23, 1984, pursuant to the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963.
15. “MSWC” means Maharashtra State Warehousing Corporation, a corporation established under the laws of Maharashtra on August 8, 1957, pursuant to the Agriculture Produce Marketing (Development and Warehousing) Corporations Act, 1956, as amended by the Warehousing Corporation Act, 1962.
16. “NIPHT” means National Institute of Post Harvest Technology, an institute established under the laws of Maharashtra on December 10, 1998, pursuant to the Societies Registration Act, 1860, and incorporated under the Bombay Public Trusts Act, 1950, on June 12, 1999.
17. “Panchayat” means a local government body at the village level established under the Bombay Village Panchayat Act of 1958.
18. “PCU” means the Project Coordination Unit referred to in Section I.A.4 of the Schedule to the Project Agreement.

19. “PIU” means each of the Project Implementation Units referred to in Section I.A.6 of the Schedule to the Project Agreement, and “PIUs” means, collectively, the plural thereof.
20. “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.
21. “Procurement Plan” means Maharashtra’s procurement plan for the Project, dated August 20, 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.
22. “Procurement Manual” means Maharashtra’s Procurement Manual dated August 20, 2010, which Manual sets forth the procurement management, and institutional arrangements and obligations under the Project as such Manual may be amended from time to time by agreement of the Association and Maharashtra.
23. “Producer Association” means a producer association, to be established under the laws of Maharashtra or those of the Recipient, as the case may be.
24. “Project Implementation Plan” means the plan referred to in Section I.A.2 of the Schedule to the Project Agreement, dated August 20, 2010, as said plan may be amended from time to time by agreement of the Association and Maharashtra.
25. “VANAMATI” means Vasantrao Naik Agriculture Management and Training Institute, an institute established under the laws of Maharashtra on April 27, 2001, pursuant to the Societies Registration Act, 1860.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing

made by the Association or the Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is 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 Project Implementing 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.”

Section III. 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) (fn 14) 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) (fn 14) 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 (fn 15) 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.”