



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
RAJASTHAN AGRICULTURAL COMPETITIVENESS PROJECT
APPROVED ON MARCH 27, 2012
TO
REPUBLIC OF INDIA

AGRICULTURE AND FOOD

SOUTH ASIA

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The World Bank

Rajasthan Agricultural Competitiveness Project (P124614)

ABBREVIATIONS AND ACRONYMS



BASIC DATA

Product Information

Project ID P124614	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 27-Mar-2012	Current Closing Date 30-Jun-2020

Organizations

Borrower Republic of India	Responsible Agency Rajasthan Agricultural Competitiveness Project Management and Implementation Society
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Project Development Objective (PDO)

Original PDO

Project Development Objective(s) is to establish the feasibility of sustainably increasing agricultural productivity and farmer incomes through a distinct agricultural development approach by integrating agriculture water management and agricultural technology, farmer organizations and market innovations in selected locations across the ten agroecological zones of Rajasthan. The aim is for the state to help farmers get more rupees per unit of water in compensation for farmers using fewer units of water.

Current PDO

To sustainably increase agricultural productivity and farmer incomes in selected locations of Rajasthan.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-50850	27-Mar-2012	13-Apr-2012	02-Jul-2012	30-Jun-2020	79.81	49.68	18.88



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Rajasthan Agricultural Competitiveness Project (RACP) was approved on March 27, 2012, signed on April 13, 2012 and became effective on July 2, 2012. RACP has four components: (a) Climate Resilient Agriculture; (b) Markets and Value Chains; (c) Farmers' Organization and Capacity Building; and (d) Project Management, Monitoring and Evaluation. IDA Cr. 5085-IN finances RACP in the amount of SDR 49.262 million (USD 67.5 million equivalent), net of SDR 21.038 million previously cancelled, with additional counterpart financing from the State of Rajasthan and participating farmers.

2. Working across six State-level Line Departments (i.e., Agriculture, Animal Husbandry, Groundwater, Horticulture, Water Resources, Watershed and Soil Conservation), RACP seeks to: (a) increase agricultural water use efficiency; (b) reduce overall agricultural water use; and (c) increase productivity, competitiveness and market access for participating farmers. The Cluster Agricultural Competitiveness Plan (CACP) is the principal instrument agreed with the State of Rajasthan and the Bank by which RACP investments across the three technical components (i.e., Components 1-3) are defined, financed and executed. A total of 17 CACPs are now under implementation and, when completed, will benefit nearly 137,000 farmer households. These CACPs support investment in farm-level water-saving production technologies (e.g., micro and drip irrigation, canal rehabilitation and modernization); crop demonstrations to promote new, higher-yielding varieties; producer company formation to bring scale and bargaining power to smallholder producers; and agribusiness facilitation to identify and exploit emerging market opportunities.

3. Both PDO and IP ratings for RACP are Moderately Satisfactory. Cumulative Cr. 5085-IN disbursements are USD 49.68 million equivalent. Up to the present, cumulative documented project expenditure in the Interim Unaudited Financial Report (IUFR) total INR 4,875,650,142 (USD 69 million equivalent). Additionally, participating farmers have contributed INR 1,240,000,000 (USD 18.0 million equivalent) in the form of equity investment. RACP has achieved 98 percent of its aggregate physical targets, compared to 71 percent aggregate financial utilization, indicative of cost savings due to (a) USD/SDR exchange rate appreciation; (b) INR/USD exchange rate depreciation; (c) a three-fold increase of farmer equity contributions, compared to appraisal estimates; and (d) greater than expected procurement economy in purchase orders and contracts. The GoI 2018-19 external audit of Cr. 5085-IN was unqualified. There are no issues regarding environmental and social safeguards.

II. DESCRIPTION OF PROPOSED CHANGES

4. This Project Paper proposes: (a) an increase in the percentage of expenditure to be financed in Schedule 2 of the Cr. 5085-IN Financing Agreement; (b) a partial cancellation of Cr. 5085-IN; (c) a reallocation in disbursement categories; (d) a change in component costs; and (e) a change in disbursement estimates.



5. Change in Cr. 5085-IN percentage of expenditure to be financed: As agreed with the Government of India/ Department of Economic Affairs (GoI/DEA) and the World Bank management during the June 17, 2020 tri-partite portfolio review and further communicated to the World Bank by GoI/DEA in its letter no. 4/2/2009-FB-VII dated June 26, 2020, it is proposed to: (a) increase the percentage of expenditure to be financed (as given in Section 4A(2) of Schedule 2 of the Financing Agreement) from 70 percent to 87 percent; and (b) retroactively apply the proposed increase in percentage of expenditure to be financed from the Effectiveness Date of Cr. 5085-IN (July 2, 2012). The proposed retroactive increase in percentage of expenditure to be financed would permit the additional reimbursement of expenditures already documented on the Interim Unaudited Financial Report (IUFR) as requested by the Government of Rajasthan (in its letter no. 4(02)/Agri/WB/EACP/2017-18/1831 to GoI/DEA dated June 25, 2020) and endorsed by GoI/DEA in its letter no. 4/2/2009-FB-VII dated June 26, 2020, in the amount of INR 818,400,000 (approximately USD 10,900,000 equivalent). It is further expected that the project will, during the Grace Period up to October 31, 2020, document in the IUFR additional project expenditures in an amount estimated at USD 1,500,000 equivalent which would be reimbursable at the proposed increased percentage of financing of 87%.

6. Partial cancellation of Cr. 5085-IN. Considering: (a) the proposed increase to 87% of the percentage of expenditure to be financed under Cr. 5085-IN; (b) the estimated additional project expenditures of USD 1,500,000 equivalent that would be documented during the Credit Grace Period up to October 31, 2020; and (c) the Credit Closing Date of June 30, 2020, it is proposed to cancel the amount of SDR 4,821,600 of the remaining undisbursed balance of Cr. 5085-IN, due to cost savings.

7. Reallocation of Disbursement Categories: Based on the proposed increase to 87% of the percentage of expenditure to be financed, it is proposed to: (a) increase Category 1 (Goods, works, non-consulting services, consultants' services, training and operating costs for the Project) of Cr. 5085-IN by SDR 726,766 to a revised SDR 39,996,412; and (b) decrease Category 2 (Grants) of Cr. 5085-IN by SDR 5,548,366 to a revised SDR 4,444,046.

8. Change in Component Costs: Given the proposed increase to 87% of the percentage of expenditure to be financed, it is proposed to decrease: (a) Component 1 cost to USD 41.8 million equivalent; (b) Component 2 cost to USD 19.9 million equivalent; (c) Component 3 cost to USD 16.4 million equivalent; and (d) Component 4 cost to USD 7.9 million equivalent. Total revised project cost would be USD 86.0 million.

9. Change in Disbursement Estimates: FY20 disbursement estimates are revised to reflect the expected USD 10,900,000 equivalent additional reimbursement that would result from the proposed increase in the percentage of expenditures to be financed under Cr. 5085-IN from 70% to 87%.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursements Arrangements	✓	
Disbursement Estimates	✓	



Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Loan Closing Date(s)		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Climate Resilient Agriculture	87.70	Revised	Climate Resilient Agriculture	41.80
Markets and Value Chains	33.80	Revised	Markets and Value Chains	19.90
Farmers Organizations and Capacity Building	25.50	Revised	Farmers Organizations and Capacity Building	16.40
Project Management and M&E	19.50	Revised	Project Management and M&E	7.90
TOTAL	166.50			86.00

**CANCELLATIONS**

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IDA-50850-001	Disbursing&Repaying	XDR	49,262,058.00	4,821,600.00	26-Jun-2020	44,440,458.00	LOAN RESTRUCTURING, COST SAVINGS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-50850-001 Currency: XDR					
iLap Category Sequence No: 1				Current Expenditure Category: Gds,Wks,Non cons,Cons,Trg,IOC	
	39,269,646.00	32,332,127.87	39,996,412.00	70.00	87
iLap Category Sequence No: 2				Current Expenditure Category: Grants	
	9,992,412.00	3,231,829.86	4,444,046.00	70.00	87
Total	49,262,058.00	35,563,957.73	44,440,458.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
0000	0.00	0.00
2012	0.00	0.00
2013	180,109.28	180,109.28



The World Bank

Rajasthan Agricultural Competitiveness Project (P124614)

2014	536,889.97	536,889.97
2015	389,011.01	389,011.01
2016	1,025,549.00	1,025,549.00
2017	5,715,046.45	5,715,046.45
2018	14,476,775.64	1,447,677.64
2019	14,687,724.68	14,687,724.68
2020	30,004,541.01	23,000,000.00