

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4338-IN
LOAN NUMBER 4862-IN

Project Agreement

(Strengthening Rural Credit Cooperatives Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT

Dated November 2, 2007

Public Disclosure Authorized

**CREDIT NUMBER 4338-IN
LOAN NUMBER 4862-IN**

PROJECT AGREEMENT

AGREEMENT dated November 2, 2007, entered among INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), and NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between India (“Recipient”) and the Association (“Financing Agreement”), and the Loan Agreement of same date between India (“Borrower”) and the Bank (“Loan Agreement”). The Association and the Bank, and the Project Implementing Entity hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement and in Section 1.01 to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement, Loan Agreement or the General Conditions (as so respectively defined in the Financing Agreement and the Loan Agreement).

ARTICLE II – PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the Association’s General Conditions and Article V of the Bank’s General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association, the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is Chief Executive Officer.

3.02. The Association and the Bank's Address is:

International Development Association
International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

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

3.03. The Project Implementing Entity's Address is:

National Bank for Agriculture and Rural Development (NABARD)
C-24, 'G' Block
Bandra Kurla Complex, Bandra (E)
Mumbai 400051, India

Facsimile:
91-22-265-300-02

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Isabel M. Guerrero
Country Director, India

NATIONAL BANK FOR AGRICULTURE AND
RURAL DEVELOPMENT

By /s/ Amaresh Kumar
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional Arrangements

- A. The Project Implementing Entity shall, and in accordance with the CCS Revival Package and the Implementation Manual, be responsible, among other things, for the: (1) disbursement of Project funds, including making available the Recapitalization Funding to the eligible CCBs; (2) Project monitoring; (3) financial management functions; and (4) procurement, in coordination with the SLICs and the SCBs.
- B. The Project Implementing Entity shall, throughout Project implementation, be maintained with management, staff, and powers and resources adequate to carry out its roles and responsibilities under the Project, and satisfactory to the Association and the Bank.

Section II. Terms and Conditions for Participating States and CCBs

- A. The Project Implementing Entity shall ensure that:
 - 1. the Participating State is eligible for funding expenditures under Category (1) with respect to the carrying out of Special Audits under Component 4 of the Project when the Participating State has signed the MOU;
 - 2. as a condition of the CCBs in the Participating State being eligible for funding under Categories (1) and (2) with respect to activities under Components 1 and 2 of the Project, the Participating State shall have revised the Cooperative Societies Act, in accordance with the terms of the CCS Revival Package and the Implementation Manual;
 - 3. as a condition of the PACS in the Participating State being eligible for funding under Category (3)(a):
 - (a) the requirements set forth in Section II, paragraph A.2 of this Schedule shall have been met;
 - (b) all PACS under any one DCCB shall have completed their Special Audits;
 - (c) the Participating State shall have made available its share of the Recapitalization Funding with respect to such PACS; and

- (d) the PACS shall have issued the Letters of Undertaking setting the undertakings to be implemented by the PACS, including the requirements that the PACS shall adhere to the applicable terms and conditions of the CCS Revival Package, the MOU and the Implementation Manual;
4. as a condition of the DCCB of the Participating State being are eligible for funding under Category (3)(a):
- (a) the requirements set forth in Section II, paragraph A.2 of this Schedule shall have been met;
 - (b) the DCCB and the SCB shall have completed the Special Audits;
 - (c) the Participating State shall have made available its share of the Recapitalization Funding with respect to such DCCB; and
 - (d) the DCCB shall have issued the Letters of Undertaking setting forth the undertakings to be implemented by the DCCB, including the requirements that the DCCB shall adhere to the applicable terms and conditions of the CCS Revival Package, the MOU and the Implementation Manual;
5. as a condition of the SCB of the Participating State being eligible for funding under Category (3)(a):
- (a) the requirements set forth in Section II, paragraph A.2 of this Schedule shall have been met;
 - (b) the DCCBs in the Participating State and the SCB shall have completed their Special Audit;
 - (c) the Participating State shall have made available its share of the Recapitalization Funding with respect to the SCB; and
 - (d) the SCB shall have issued the Letter of Undertaking setting forth the undertakings to be implemented by the SCB, including the requirements that the SCB shall adhere to the applicable terms and conditions of the CCS Revival Package, the MOU and the Implementation Manual.

- B. The Project Implementing Entity shall ensure that as a condition of the Participating State's CCBs being eligible for Recapitalization Funding under Category 3(b):
 - 1. the Participating State shall have amended the Cooperative Societies Act in accordance with the CCS Revival Package and the MOU; and
 - 2. the CCBs of the Participating State shall have, in accordance with the MOU and the respective Letters of Undertaking:
 - (a) held elections to their respective Boards and have elected professionals to Boards;
 - (b) appointed, in accordance with the prescribed guidelines, professional chief executive officers; and
 - (c) implemented a sound system of internal checks and controls.
- C. The Project Implementing Entity shall suspend or terminate the right of the Participating State's CCBs to use the proceeds of the Loan or Credit, or obtain a refund of all or any part of the amount of the Loan or Credit withdrawn, upon the Participating State's failure to perform any of its obligations under the MOU, or the CCBs' failure to perform any of their obligations under the Letters of Undertaking.

Section III. Other Undertaking

- A. The Project Implementing Entity shall carry out the Project in accordance with the CCS Revival Package, the Implementation Manual and the MOUs, and shall not amend or waive any material provision of the Implementation Manual or the MOUs, except as the Association or the Bank shall otherwise agree.
- B. The Project Implementing Entity shall, within one month of this Agreement effectiveness, adopt the design of, and the implementation strategy for, the common accounting, internal control and management information systems, satisfactory to the Association and the Bank, to be implemented by the CCBs pursuant to the respective Letters of Undertaking.
- C. The Project Implementing Entity shall undertake adequate measures to implement the action plan, satisfactory to the Association and the Bank, to strengthen its procurement capacity with respect to Component 2 of the Project, and shall ensure that the SLICs have undertaken adequate measures to fully implement such a plan.

Section IV. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the Association's General Conditions and Section 5.08(b) of the Bank's General Conditions, and on the basis of indicators agreed with the Association and the Bank. Each such Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Association and the Bank not later than ninety (90) days after the end of the period covered by such report.
2. Notwithstanding the requirement in Section IV.A.1 of this Schedule, the Project Implementing Entity shall, by July 30, 2009, prepare and furnish to the Association and the Bank by July 30, 2009, a comprehensive report on Project implementation, satisfactory to the Association and the Bank.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association and the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have the financial statements referred to above audited by independent auditors acceptable to the Association and the Bank, in accordance with consistently applied auditing standards acceptable to the Association and the Bank. Each audit of these financial statements shall cover the period of one-half Fiscal Year of the Project Implementing Entity for the first two years of the Project, and thereafter shall cover the period of one Fiscal Year. The audited financial statements for each period shall be furnished to the Association and the Bank not later than three (3) months during the first two (2) years of the Project, and not later than six (6) months after the end of every year thereafter.

Section V. Procurement

All goods, works, and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.