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**CREDIT NUMBER 4859-IN**

# **Financing Agreement**

**(Rajasthan Rural Livelihoods Project)**

**between**

**INDIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated May 24, 2011**

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**CREDIT NUMBER 4859-IN**

**FINANCING AGREEMENT**

AGREEMENT dated May 24, 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 one hundred six million seven hundred thousand Special Drawing Rights (SDR 106,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 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 Rajasthan 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 Event of Suspension consists of the following, namely that the State Society's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the State Society to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Events of Acceleration consists of the following, namely that the event specified in 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 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 Zagha  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to enhance the economic opportunities and empowerment of the rural poor, with a focus on women and marginalized groups in selected districts of Rajasthan.

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: Institution Building and Social Empowerment**

Facilitating the process of community mobilization and capacity building of the poor, and providing necessary technical expertise and financial resources to help them mobilize themselves into SHGs, and gradually develop their own capacity to initiate and expand sustainable livelihoods activities, including:

1. establishing entities that support and facilitate activity implementation at the village level;
2. initiating village entry, identification of the poor, and helping the poor organize themselves into SHGs;
3. supporting the formation of SHGs, cluster development organizations, producer groups and area federations.
4. facilitating knowledge dissemination and systems development to enhance the development and sustainability of community institutions.

#### **Part B: Community Investment Support**

Provision of Investment Support to Beneficiary Institutions to:

1. enable Beneficiary Institutions to undertake productive livelihood enhancing initiatives, including the acquisition of materials, equipment and other assets required to operate their business;
2. engage sector support organizations to enhance viability of activities, including supporting linkages with the banking sector, value chain development, training and capacity building; and

3. develop innovative pilot activities with potential for scaling-up and replication, including improved seed varieties, agro-processing and agricultural insurance.

### **Part C: Skills Development and Employment Promotion**

Establishment of a structured mechanism for skills development and job creation for the rural poor, through, *inter alia*, the provision of vocational skills training opportunities to the unemployed population, including unemployed rural youth from targeted households.

### **Part D: Climate Change Adaptation**

Provision of support to develop and implement drought adaptation mechanisms and institutional models, at the state, district and local level, for a more effective delivery of assistance to drought-affected communities through, *inter alia*, improved coordination and leveraging of various programs currently delivered by Rajasthan.

### **Part E: Project Implementation Support**

Provision of support to:

1. establish an efficient, effective and responsive Project management mechanism for successful Project implementation at the state, district and sub-district level;
2. develop a governance and accountability framework to ensure that adequate and appropriate mechanisms are in place to monitor and support Project implementation; and
3. develop a system that will support and inform Project implementation.

**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 Rajasthan, 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 Rajasthan 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 Rajasthan 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 Rajasthan 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 shall, and shall cause Rajasthan to, have 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 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:

#### **C. Particular Methods of Procurement of Consultants' Services**

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the additional provisions set forth in the Procurement Plan
(b) Shopping
(c) Community Participation in Procurement



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.

<b>Procurement Method</b>
(a) Quality Based Selection
(b) Least Cost Selection
(c) Selection Based on Consultant's Qualifications
(d) Single Source Selection

**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:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, consultants' services, training, operating costs and Investment Supports	106,159,300	88.5%
(2) Refund of Preparation Advance	540,700	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	<b>106,700,000</b>	

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 by Rajasthan for the purposes of carrying out the Project, including , office rent and utilities, office and equipment insurance, office maintenance and repair, vehicle maintenance and repair, communication, salaries and remuneration of staff 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 700,000 equivalent may be made for payments made prior to this date but on or after December 1, 2010 for Eligible Expenditures.
2. The Closing Date is October 31, 2016.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 1 and July 1:	
commencing July 1, 2021 to and including January 1, 2031	1.25%
commencing July 1, 2031 to and including January 1, 2046	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 Institution” means either: (a) a Cluster Development Organization (as hereinafter defined) which has been selected by the State Society (as hereinafter defined), pursuant to selection criteria set out in the Community Operations Manual (as hereinafter defined), to receive an Investment Support (as hereinafter defined) to finance, in whole or in part, the carrying out of an SHG Livelihood Plan (as hereinafter defined) pursuant to an SHGLP Grant Agreement (as hereinafter defined) and in accordance with the terms and conditions set forth in Section B of Schedule 2 to the Project Agreement and the Project Implementation Manual (as hereinafter defined); or (b) an SHG (as hereinafter defined) that has not joined other SHGs to form a Cluster Development Organization (as hereinafter defined) but has met the selection criteria set out in the Community Operations Manual (as hereinafter defined) to receive an Investment Support (as hereinafter defined).
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Cluster Development Organization” means an organization, duly established under the laws of Rajasthan, owned by at least three (3) SHGs and managed by an elected executive committee, which may receive an Investment Support under Part B of the Project.
5. “Community Operations Manual” means the Project Implementing Entities’ community operations manual, acceptable to the Association, dated December 13, 2010, and set forth as Annex E to the PIP (as hereinafter defined) which provides community-level guidance in respect of the Project, including procedures and criteria for the selection, appraisal and implementation of SHG Livelihood Plans (as defined hereinafter), as such manual may be amended from time to time by agreement between the Rajasthan and the Association.
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. “EMF” means the Project Implementing Entities’ environmental management framework, acceptable to the Association, dated November 3, 2010, and set forth

as Annex B 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 of the Rajasthan and the Association.

8. “Financial Management Manual” means the financial management manual, acceptable to the Association, dated December 13, 2010, and set forth as Annex C 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 Rajasthan and the Association.
9. “GAAP” means the governance and accountability action plan, satisfactory to the Association, which sets out the key actions to be undertaken by Rajasthan and the State Society to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time by agreement between Rajasthan and the Association.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
11. “Human Resources Manual” means the human resources manual, acceptable to the Association, dated December 13, 2010 and set forth as Annex F to the PIP (as hereinafter defined), which provides for the human resource strategy and measures in respect of the carrying out of the Project, as said manual may be amended from time to time by agreement between the Rajasthan and the Association.
12. “Investment Support” means a grant made or proposed to be made by the State Society (as hereinafter defined), out of the proceeds of the Financing allocated from time to time to Part B of the Project, through the SPMU (as hereinafter defined) to a Beneficiary Institution to finance, in whole or in part, the technical assistance needs of an SHG (as hereinafter defined), or an SHG Livelihood Plan (as hereinafter defined), all in accordance with the selection criteria and procedures set forth in the Community Operations Manual and the provisions set forth in Section B of Schedule 2 to the Project Agreement.
13. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
14. “PIP” means the Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated December 13, 2010, which describes the Project implementation and institutional arrangements, and is comprised of, among others, the Community Operations Manual, EMF, the Financial

Management Manual, the GAAP, the Human Resources Manual, the Key Performance Indicators, the Procurement Manual (as hereinafter defined) and the TDF (as hereinafter defined), as such plan may be amended from time by agreement between the Rajasthan and the Association.

15. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on October 8, 2009 and on behalf of the Recipient on October 23, 2009.
16. "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.
17. "Procurement Manual" means the Procurement Manual set forth as Annex D 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 Rajasthan and the Association.
18. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December, 13, 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.
19. "SHG" means a self-help group, consisting of poor households in a given district of Rajasthan, duly established under the laws of Rajasthan for the purpose of receiving an Investment Support.
20. "SHGLP Grant Agreement" means the grant agreement referred to in Section B.1 of Schedule 2 to the Project Agreement, entered into between the State Society and a Beneficiary Institution; as such agreement may be amended from time to time by agreement between Rajasthan and the Association.
21. "SHG Livelihood Plan" means a plan of SHG livelihood activities, prepared by a Beneficiary Institution and approved by the State Society, 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.
22. "SPMU" means the State Project Management Unit, referred to in Section A.1(a) of Schedule 2 to the Project Agreement, to be maintained by Rajasthan for the purpose of providing Project management and support at the state level.

23. “State Society” means the Rajasthan Gramin Ajeevika Vikas Parishad Society, a society established and registered under the Rajasthan’s Society Registration Act 1958, as amended to date, and operating according to its Memorandum and Articles of Association and its By-Laws, both dated October 27, 2010, and any successor or successors thereto.
24. “State Society’s Legislation” means, collectively, the Memorandum and Articles of Association of the State Society and its By-Laws, both dated October 27, 2010.
25. “TDF” means the Tribal Development Framework set forth as Annex A to the PIP, which sets forth an action plan and measures to ensure that tribal populations within the Project’s area receive social and economic benefits that are culturally appropriate, as such TDF may be amended from time to time by agreement between Rajasthan and the Association.

## **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) 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.”