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CONFORMED COPY

CREDIT NUMBER 4255-IN

Financing Agreement

(Tamil Nadu Irrigated Agriculture Modernization and
Water-Bodies Restoration and Management Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 12, 2007

CREDIT NUMBER 4255-IN

FINANCING AGREEMENT

AGREEMENT dated February 12, 2007, between INDIA, acting by its President (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS the Recipient has also requested the International Bank for Reconstruction and Development (“Bank”) to provide additional assistance towards the financing of the project (“Project”) described in Schedule 1 to this Agreement, and by an agreement of even date herewith between the Recipient and the Bank (“Loan Agreement”), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to three hundred thirty five million Dollars (\$335,000,000) (“Loan”).

NOW THEREFORE, 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 ninety nine million eight hundred thousand Special Drawing Rights (SDR 99,800,000) (“Credit”) to assist in financing the 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 15 and July 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is U.S. Dollar.

ARTICLE III - THE 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 Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 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 – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that all conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.
- 4.02. 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 Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

5.02. The Recipient's Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi 110 001, India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23093422

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

INDIA

By

/s/ Madhusudan Prasad
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Praful C. Patel
Regional Vice President
South Asia Region

SCHEDULE 1

Project Description

The objective of the Project is to assist selected sub-basin stakeholders in increasing the productivity of irrigated agriculture in the State of Tamil Nadu within an integrated water resources management framework.

The Project consists of the following components:

A. Promoting Irrigation Systems Modernization in a Sub-Basin Framework

Carrying out of activities for: (i) tank-related systems; and (ii) other irrigation systems, all aimed at improving irrigation service delivery, including the repair, renovation and modernization of irrigation infrastructure in about 63 sub-basins covering about 617,000 hectares of cultivable area.

B. Promoting Intensification and Diversification of Agricultural Production

Carrying out of activities, for tank-related systems and other irrigation systems, aimed at encouraging more effective agricultural production systems to improve water conservation and increase farmers' incomes, including: (i) the provision of agricultural and horticultural material; (ii) the expansion of drip and low-pressure sprinkler systems; (iii) the promotion of environmentally sustainable agriculture and horticulture techniques, integrated pest and nutrient management, knowledge dissemination and other training for farmers; (iv) the support of Tamil Nadu's extension and adaptive research delivery, with a focus on new and emerging market opportunities; (v) the promotion of upgraded and diversified agricultural, livestock and fish production systems; (vi) the provision of market intelligence and infrastructure; and (vii) the establishment of the ABDF.

C. Promoting Institutional Modernization for Irrigated Agriculture

Carrying out of activities that assist in the formation and capacity building of WUAs, improve the institutional capacity of WRO and other line agencies involved in modernized irrigated agriculture, including: (i) the provision of expert and training support; (ii) the provision of equipment, vehicles and the carrying out of works; (iii) the provision of Grants from the Irrigation Research Fund for applied research in improved irrigation technologies and systems; (iv) the development of modern technical, financial, and operational management capacity using appropriate tools, including computer-based management information systems and telemetry; and (v) development and preparation of an internal and external communications strategy.

D. Promoting Water Resources Planning and Management

Carrying out of activities to strengthen the policy and institutional framework for improved sustainable management of water resources in the state, including: (i) the establishment and operation of the SWaRMA by amalgamating the existing Institute for Water Studies and the State Surface and Ground Water Data Center, whose main objective is to assist in the development of appropriate policy, institutional arrangements, instruments and information tools to promote flexible water resources management; (ii) the establishment of structured stakeholder forums; (iii) the carrying out, through SWaRMA and other agencies, of research projects pertaining to water resource management and dissemination of such projects' recommendations; and (iv) the provision of Grants from the Water Resource Research Fund for targeted studies, awareness raising and applied research on key water issues.

E. Project Management and Coordination

Support to the MDPU and Project cells in other agencies, through the provision of technical assistance and the financing of operating costs, to assist in the implementation, coordination, monitoring, and evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity, under terms and conditions satisfactory to the Association, with fifty (50) percent of the proceeds of the Financing to be made available to the Project Implementing Entity on grant basis.
2. The Recipient shall protect the interests of the Recipient and the Association to accomplish the purposes of the Financing.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month 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, or shall cause the Project Implementing Entity to, prepare and furnish to the Association not later than sixty (60) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall 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 fiscal 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, Works and Services, Other Than Consultants' Services.** All goods, works, and services, other than 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 Section I of the Procurement Guidelines, and with the provisions of this Schedule.

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 Schedule.

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 Services, Other than Consultants' Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and services, other than consultants' services, shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the following additional procedures:

- (i) the Procurement Plan shall specify the circumstances under which such procurement method may be used; and
- (ii) standard bidding documents and procedures approved by the Association shall be used.

2. **Other Methods of Procurement of Goods, Works, and Services, Other Than Consultants' Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works, and services, other than consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Force Account

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, subject to the following additional procedures:

- (a) the Procurement Plan shall specify the circumstances under which such procurement method may be used; and
- (b) standard Request for Proposal documents and procedures approved by the Association shall be used.

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) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants' Qualifications
(e) Single-source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank 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 Article II of the General Conditions, this Section, and such additional instructions as the Association may 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 category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the amount of the Financing allocated to such Category, and the percentage of expenditures to be financed for Eligible Expenditures in such Category:

Category	Amount of the Credit Allocated (Expressed in SDR)	Amount of the Loan Allocated (Expressed in U.S. Dollars)	Percentage of Expenditures to be Financed
Goods, works, services (other than consultants’ services), consultants’ services, training and workshops, Operating Costs, and Grants	99,800,000	335,000,000	90%
Total Amount	99,800,000	335,000,000	

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 Loan withdrawals up to an aggregate amount not to exceed \$1,500,000 equivalent may be made for payments made prior to this date but on or after March 1, 2006.

2. The Closing Date is March 31, 2013.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage)*
On each January 15 and July 15:	
Commencing July 15, 2017 to and including January 15, 2027	1.25%
Commencing July 15, 2027 to and including January 15, 2042	2.50%

*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

Definitions

1. “Annual Work Program” means the Project Implementing Entity’s annual work program and budget for each line agency involved in the implementation of the Project, developed on the basis of each respective Sub-basin Development Plan (as this term is hereinafter defined).
2. “ABDF” means Agribusiness Development Facility to be established by the Project Implementing Entity to increase access by small and medium agribusiness enterprises to finance and business development services.
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 by World Bank Borrowers” published by the Bank in May 2004.
5. “ESA” means the Project Implementing Entity’s Environment and Social Assessment, satisfactory to the Association and the Bank, furnished to the Association and the Bank on September 27, 2006, which includes an Environmental and Social Management Framework (“ESMF”), whose objective is to address environmental and social issues and impacts arising from, or likely to result from, the carrying out of the Project, which sets forth the environmental, pest management, cultural property, involuntary resettlement and safety of dams-related actions, measures and policies applicable to the design and implementation of the Project.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants,” dated July 1, 2005.
7. “Grant” means a grant made or proposed to be made by the Project Implementing Entity to a Grant Recipient out of the proceeds of the Loan allocated from time to time to the Irrigation Research Fund and the Water Resource Research Fund, as the case may be, to finance the carrying out by a Grant Recipient of an activity under out Components C (iii) and D (iv) of the Project.
8. “Grant Recipient” means an individual farmer, an organized group of farmers, an agribusiness researcher or stakeholder group meeting the eligibility criteria set forth in the Operations Manual (as this term is hereinafter defined) and to which the Project Implementing Entity has made or proposes to make a Grant (as this term is hereinafter defined) through the Irrigation Research Fund or the Water Resources Research Fund (as these terms are hereinafter defined).

9. “Irrigation Research Fund” means the funding mechanism to be established by the Project Implementing Entity under the provisions of Section I, Part A, paragraph 3 of the Schedule to the Project Agreement, whose purpose is to provide Grants to the Grant Recipients for applied research in improved irrigation technologies.
10. “MDPU” means the Project Implementing Entity’s Multi-Disciplinary Project Unit responsible for Project coordination, monitoring, and the facilitation of Project implementation by the line departments and other agencies of the Project Implementing Entity.
11. “Operating Costs” means reasonable and necessary expenditures incurred by the MDPU and other agencies, including salaries of staff deputed to the MDPU, based on budgets set forth in the Annual Work Plans with respect to Project implementation, coordination, and monitoring.
12. “Operations Manual” means the Project Implementing Entity’s Operations Manual, dated December, 2006, satisfactory to the Association and the Bank, setting out, *inter alia*, the operating procedures for the carrying out of the Project.
13. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
14. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated December, 2006, 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.
15. “Project Area” means about 63 sub-basins in the State of Tamil Nadu, covering about 617,000 hectares of cultivable land, selected by the State of Tamil Nadu and approved by the Association and the Bank.
16. “Project Director” means the director of the Project who also heads the MDPU.
17. “Project Implementing Entity” means the State of Tamil Nadu of the Recipient.
18. “PSC” means the Project Implementing Entity’s Project Steering Committee whose responsibilities include the provision of oversight and policy guidance to those responsible for the carrying out of the Project.
19. “SWaRMA” means the Project Implementing Entity’s State Water Resource Management Agency.

20. “Sub-basin Development Plans” means the work program plans for each sub-basin in the Project area, prepared and developed by the Project Implementing Entity’s line agencies responsible for the Project with the involvement of various stakeholders including, without limitation, representatives of the WUA established in the respective sub-basin, the private sector and the local community.
21. “Transparency and Accountability Plan” means the plan adopted by the Project Implementing Entity for the purpose of improving disclosure and governance in the irrigation and agriculture sectors and included in the Operations Manual.
22. “Water Resource Research Fund” means the funding mechanism established by the Project Implementing Entity under the Tamil Nadu Water Resources Consolidation Project (Credit No. 2745-IN) whose purpose is to provide matching grants to promote targeted studies, awareness raising and applied research into key water issues facing the Project Implementing Entity.
23. “WRO” means the Water Resources Organization referred to in the Government of Tamil Nadu Order No. 217, dated November 8, 2006.
24. “WUAs” means water user associations operating pursuant to the Tamil Nadu Farmer Management of Irrigation Systems Act, 2000.