

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4323-IN

Financing Agreement

(Bihar Rural Livelihoods Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 2007

CREDIT NUMBER 4323-IN

FINANCING AGREEMENT

AGREEMENT dated August 9, 2007, between INDIA, acting by its President (“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 the Financing 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 forty one million four hundred thousand Special Drawing Rights (SDR 41,400,000) (“Credit”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 15 and November 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 Dollars.

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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:

Any change shall have been in the Memorandum and Articles of Association of the BRLPS, or its by-laws, so as to materially and adversely affect the ability of BRLPS to perform any of its obligations under the Project Agreement.

ARTICLE V – EFFECTIVENESS

- 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 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.
- 6.02. The Recipient's Address is:

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

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

6.03. 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/ Isabel M. Guerrero
Country Director, India

SCHEDULE 1

Project Description

The objective of the Project is to enhance social and economic empowerment of the rural poor in Bihar.

The Project consists of the following components:

Part 1: Community Institution Development

Strengthening and building CBOs through the following activities: (a) formation, development and strengthening of CBOs, including SHGs, VOs, BLFs, Producer/Farmer Organizations and Livelihood cluster organizations; (b) empowering CBOs to develop community managed, sustainable thrift and credit programs and undertake livelihood enhancement and income generation activities; (c) providing skills and tools to develop social accountability mechanisms, build effective service delivery systems with local government and line agencies, and facilitate village-level and inter-village communication on issues affecting social and economic activities of interest to the rural poor.

Part 2: Community Investment Fund

Designing and establishing the CIF to provide financial and technical resources to CBOs on a demand driven basis to facilitate financing of appraised MCPs in the following areas: (i) income generation and livelihood improvements; (ii) food security; (iii) skills development; (iv) social risk management in health and disability; and (v) limited community level infrastructure facilities.

Part 3: Technical Assistance Fund

Designing and establishing the TAF to supply support services for CBOs and federations in the areas of institution building, and financial and livelihood support services through, *inter-alia*: (i) capacity building for NGOs; (ii) microfinance investment and technical assistance to SHGs and VOs to access credit and undertake financial and credit management; (iii) supporting business development services to mobilize public, cooperative and private service providers in agriculture, livestock and non-farm sectors; and (iv) supporting innovations by individuals, enterprises, organizations and institutions in the public and private sector aimed at improving rural livelihoods.

Part 4: Project Management

Support to the SPMU, DPCU and the BPIU, 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.
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 (i.e., every six months), and shall be furnished to the Association not later than eight weeks 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 prepare and furnish to the Association not later than forty five (45) 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 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 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 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 following additional procedures:

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

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:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Force Account
(e) Community driven 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, 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 Consultant Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants as per the Guidelines

D. Review 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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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, the allocation 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 Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, services, training, Operations Costs, and Grants to CBOs	40,860,000	90%
(2) Project Preparation Facility	540,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	41,400,000	

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.

2. The Closing Date is October 31, 2012.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
Commencing November 15, 2017 to and including May 15, 2027.	1.25%
Commencing November 15, 2027 to and including May 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. “Beneficiary” means an eligible CBO, NGO, SPO or MFI, (as these terms are hereinafter defined) which is a recipient of a Grant (as this term is hereinafter defined).
2. “Beneficiary Agreement” means an agreement to be entered into between the Project Implementing Entity and a Beneficiary for financing a MCP (as this term is hereinafter defined) and which shall include the terms and conditions set forth in the COM and PIP (as this term is hereinafter defined), as these may be amended from time to time, and such term includes any schedule or addendum to the Beneficiary Agreement.
3. “BLFs” means Block Level Federations of Village Organizations (VOs) (as this term is hereinafter defined).
4. “BPIU” means each of the Block Project Implementation Units, to be established and maintained in each of the Project’s 42 blocks and responsible for Project coordination activities and the facilitation of Project implementation by BLFs and VOs (as this term is hereinafter defined).
5. “BRLPS” means the Bihar Rural Livelihoods Promotion Society established and registered under the Society Registration Act, 1860, as amended to date, and operating according to its Memorandum of Association and Bylaws which are included in the PIP (as this term is hereinafter defined).
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “CBO” means a community-based organization and includes, *inter-alia*, BLF, SHGs, VOs, and Federation (as these latter three are hereinafter defined).
8. “CEO” means the Chief Executive Officer of the BRLPS, appointed by the Project Implementing Entity to head the SPMU (as this term is hereinafter defined).
9. “CIF” means Community Investment Fund which will 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 transfer financial and technical resources to CBOs on a demand driven basis to finance appraised MCPs (as this term is hereinafter defined), and where financial resources may be used by CBOs as grants or revolving funds to finance MCPs.

10. "COM" means the Project Community Operations Manual, dated May 16, 2007, and prepared by the Project Implementing Entity and acceptable to the Association, containing, *inter-alia*, the operating procedures for carrying out the Project, the community level institutional arrangements, procedures and criteria for selection, appraisal and implementation of MCPs (as this term is hereinafter defined), and as may be amended from time to time in a manner satisfactory to the Association.
11. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
12. "DPCUs" means the District Project Coordination Units to be established and maintained throughout the Project, and responsible for: (a) obtaining approvals of all Project-related administrative, financial and technical approvals at the district level; (b) the management of the execution of works and the procurement of goods and services; (c) quality assurance; and (d) working closely with communities to achieve the Project's development objectives.
13. "EMF" means the Project Implementing Entity's environmental management framework, dated April 26, 2007, acceptable to the Association, governing all social and environmental aspects of Project implementation, including measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental and/or social impacts under the Project.
14. "Federation" means, *inter-alia*, a federation of either SHGs or VOs (as these terms are hereinafter defined) or livelihood-based activity groups and federations, which are participating in Project implementation.
15. "Fiscal Year" means the Recipient's fiscal year beginning April 1 and ending March 31 the following year.
16. "General Conditions" means the "International Development Association General Conditions for Credits and Grants," dated July 1, 2005.
17. "Grant" means a grant made or proposed to be made by the Project Implementing Entity (as this term is hereinafter defined) to a Beneficiary, out of the proceeds of the Credit allocated from time to time to Part 2 of the Project, to finance the carrying out of an MCP (as this term is hereinafter defined) by CBOs, in accordance with the criteria and procedures set forth in the COM and the PIP (as this term is hereinafter defined) and consistent with the Project Agreement.
18. "MCP" means a micro credit plan developed by a CBO under Part 2 of the Project, which meets the criteria set forth in the COM and PIP (as this term is hereinafter defined).

19. “MFI” means a micro finance institution.
20. “NGO” means a non-governmental organization.
21. “Operating Costs” means reasonable and necessary expenditures incurred by the BRLPS including costs of operation and maintenance of offices, payments to contract staff, salaries of staff, and travel allowances of Project staff incurred with respect to Project implementation, coordination, and monitoring.
22. “PIP” means the Project Implementation Plan, dated May 16, 2007, and prepared by the Project Implementing Entity and acceptable to the Association, containing, *inter-alia*, procedures for the carrying out of the Project, together with the EMF and TDP (as this term is hereinafter defined), and the criteria for the eligibility and selection of Beneficiaries under Part 2 of the Project, and as may be amended from time to time in a manner satisfactory to the Association.
23. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
24. “Procurement Plan” means the Project Implementing Entity’s (as this term is hereinafter defined) procurement plan for the Project, dated May 16, 2007, 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.
25. “Project Implementing Entity” means the State of Bihar.
26. “Self-Help Group” means a community group engaged in, *inter-alia*, thrift, credit and economic activities.
27. “SPMU” means the State Project management unit to be established and maintained within the BRLPS for assisting the Project Implementing Entity in carrying out the Project.
28. “SPO” means a service provider organization.
29. “TAF” means technical assistance fund which will be established by the Project Implementing Entity under the provisions of Section I, Part A, paragraph 2(f) of the Schedule to the Project Agreement, whose purpose is to supply support services for CBOs and federations in the areas of institution building, and financial and livelihood support services.

30. “TDP” means Tribal Development Plan dated April 26, 2007, prepared by the Project Implementing Entity and acceptable to the Association, capturing the approach and strategy to ensure that tribals participate in and benefit from its interventions.
31. “VO” means a village organization which is the federation of SHGs at the Village level.