
CREDIT NUMBER 5369-IN

Financing Agreement

(Uttarakhand Decentralized Watershed Development II Project
GRAMYA-II)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *May 30*, 2014

CREDIT NUMBER 5369-IN

FINANCING AGREEMENT

AGREEMENT dated May 30, 2014, 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 seventy eight million eight hundred thousand Special Drawing Rights (SDR78,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are March 15 and September 15 in each year.

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

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 Project Implementing Entity 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is any of the following officials, acting severally; the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Recipient's Ministry of Finance.

5.02. The Recipient's Address is:

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

Facsimile:

+91-11-23092247

5.03. 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/ Nilaya Mitash
Authorized Representative

Name: _____

Title: Joint Secretary (MI)

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By

/s/
Authorized Representative

Name: Michael Haney

Title: Operations Adviser

SCHEDULE 1

Project Description

The objective of the Project is to increase the efficiency of natural resource use and productivity of rainfed agriculture by participating communities in selected microwatersheds of the State of Uttarakhand.

The Project consists of the following parts:

Part 1: Social Mobilization and Participatory Watershed Planning

1. Mobilization of GPs in order to prepare integrated and coordinated GPWDPs including, *inter alia*, the identification of specific interventions to increase effective land use and water resource management and develop agriculture and income generation activities.
2. Development of watershed treatment plans to guide the preparation and implementation of GPWDPs.

Part 2: Watershed Treatment and Rainfed Area Development

- 2.1. Implementation of the GPWDPs through:
 - (a) Carrying out watershed treatment activities including, *inter alia*: (i) the construction and rehabilitation of check dams, ponds, irrigation channels and tanks, and roof water harvesting structures; (ii) the reparation of agriculture terraces and vegetative field boundaries; and (iii) the rehabilitation of bridle paths, small bridges and culverts; and
 - (b) Carrying out water source sustainability activities including, *inter alia*: (i) the construction and/or rehabilitation of soil conservation structures; (ii) the border plantation of grasses; (iii) the carrying out of forestry activities; and (iv) the promotion of alternative energy source practices.
- 2.2. Provision of improved seeds and support to promote innovative agronomic technologies in rainfed and irrigated areas.

Part 3: Enabling Livelihood Opportunities

- 3.1. Provision of support to FIGs and FFs to develop agribusinesses in high-value crops including, *inter alia*: (a) the formation and capacity building of FIGs and FFs; and (b) the development of agribusiness plans and marketing strategies.
- 3.2. Provision of support to Vulnerable Groups through GPs to finance income generating microenterprise activities.

- 3.3. Provision of training to Vulnerable Groups to promote their entrepreneurial development.
- 3.4. Provision of support to FFs to strengthen their business planning and management capacities as sustainable producer businesses.

Part 4: Knowledge Management and Project Coordination

- 4.1. Strengthening of the institutional capacity and knowledge management of the Project Implementing Entity, GPs and FFs for the implementation and management of the Project including, *inter alia*: (a) the provision of support for setting up a participatory watershed development knowledge hub; and (b) monitoring and evaluation through an ICT-based monitoring information system and social accountability and grievance redress mechanisms.
- 4.2. Management of Project implementation including, *inter alia*, facilitation and coordination of project activities by WMD.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending 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 in accordance with the Recipient's standard arrangements for development assistance to the States of India.
2. Notwithstanding paragraph 1 above, in the event that any provision of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, were to be found inconsistent with the Recipient's standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall govern.
3. The Recipient shall at all times protect its own interests and 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause the Project Implementing Entity to 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 (1) calendar semester, 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 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 cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall cause the Project Implementing Entity to 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 (1) fiscal year of the Project Implementing Entity, commencing with the fiscal year in which the first withdrawal 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 Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 of Section III.B and/or Section III.D of this Schedule 2, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding,

may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions agreed by the Project Implementing Entity and the Association from time to time and to be set forth in the Procurement Plan; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; and (g) Community Participation procedures which have been found acceptable to the Association.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 of Section III.B and/or Section III.D of this Schedule 2, 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection; and (f) Procedures set forth in the Consultant Guidelines for the Selection of Individual Consultants.

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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services under Subprojects	47,800,000	80%
(2) Goods, works, non-consulting services (other than under Subprojects), consultants' services, Training and Workshops and Incremental Operating Costs	31,000,000	80%
TOTAL AMOUNT	78,800,000	

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 withdrawals up to an aggregate amount not to exceed SDR 7,800,000 equivalent may be made for payments made prior to this date but on or after June 1, 2013, for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date is September 30, 2021.

SCHEDULE 3
Repayment Schedule

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each March 15 and September 15:	
Commencing September 15, 2019 to and including March 15, 2029	1.65%
commencing September 15, 2029 to and including March 15, 2039	3.35%

* 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 and revised in January 2011.
2. "Beneficiary" means each GP, FF or any other person, group and/or institution who is selected in accordance with the criteria set forth in the Operations Manual in order to be a recipient of financial assistance under a Subproject Financial Agreement.
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 under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
5. "Environmental and Social Management Framework" or "ESMF" means the Project Implementing Entity's environmental and social management framework disclosed on October 10, 2013, setting forth the guiding principles, standards and procedures for: (a) the screening of Project activities and the identification of any adverse or positive environmental impacts caused, or expected to be caused, on account of their implementation; (b) the preparation of their prescribed environmental impact assessments and environmental management plans, social impact assessments and social management plans; and (c) the criteria for excluding Subprojects and/or activities to be financed under the Project which criteria shall exclude Subproject and/or activities that would require involuntary resettlement or forced acquisition of land; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
6. "Farmer Federation" or "FF" means a group of FIGs who organized themselves in accordance with the criteria set forth in the Operations Manual for purposes of Parts 3.1 and 3.3 of the Project.
7. "Farmer Interest Group" or "FIG" means a group of farmers who organized themselves in accordance with the criteria set forth in the Operations Manual for purposes of Part 3.1 of the Project.
8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

9. "Gram Panchayat Watershed Development Plan" or "GPWDP" means the watershed development plan prepared by a Gram Panchayat under criteria set forth in the Operations Manual and referred to in Part 1.1 of the Project.
10. "Gram Panchayat" or "GP" means a local self-government established under the Uttar Pradesh Panchayat Raj Act of 1947 duly adopted by the State of Uttarakhand.
11. "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Project Implementing Entity on account of Project implementation, management and monitoring, including, *inter alia*: (a) costs of incremental contractual staff salaries (other than consultants), excluding salaries of civil servants deputed to the Project; (b) dissemination of Project-related information; (c) office rental and leasing operation and maintenance of equipment; (d) office supplies and utilities; (e) travel and boarding/lodging allowances; (f) leasing, operation and maintenance of vehicles; (g) advertising and communication expenses; and (h) bank charges.
12. "Operations Manual" means the manual dated October 10, 2013, prepared and adopted by the Project Implementing Entity, setting forth guidelines and procedures for the implementation of the Project, including, *inter alia*: (a) the allocation of functions, powers and responsibilities among a state-level steering committee, WMD, and the relevant line departments involved in the implementation of the Project; (b) the financial management arrangements consistent with Section II of Schedule 2 to this Agreement and the procurement arrangements consistent with Section III of Schedule 2 to this Agreement; (c) the eligibility criteria for selecting a Beneficiary; (d) the pre-determined cost-sharing formula for providing a Subproject Financing; (e) the terms and conditions of a Subproject Financing Agreement; and (f) the monitoring and evaluation framework for Project activities; as said manual may be amended from time to time with the prior concurrence of the Association.
13. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
14. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 16, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. "Project Implementing Entity" means the State of Uttarakhand.

16. "State of Uttarakhand" means one of the Recipient's states which was formed and recognized pursuant to the Recipient's Uttar Pradesh Reorganization Act of 2000.
17. "Subproject" means an eligible set of activities approved by the Project Implementing Entity in accordance with the criteria set forth of the Operations Manual and acceptable to the Association, supported under Parts 2 and 3 of the Project, and in respect of which Subproject Financing will be provided pursuant to a Subproject Financing Agreement.
18. "Subproject Financing" means the amount allocated for each Subproject to be established in accordance with a pre-determined cost-sharing formula set forth in the Operations Manual and acceptable to the Association.
19. "Subproject Financing Agreement" means the agreement to be entered between the Project Implementing Entity and a Beneficiary for the financing of a Subproject in accordance with terms and conditions set forth in the Operations Manual and acceptable to the Association.
20. "Training and Workshops" means the reasonable costs of training and workshops incurred by the Project Implementing Entity on account of Project implementation, including *inter alia*, study tours, courses, conferences and workshops conducted and/or attended by staff of the Project Implementing Entities and/or stakeholders (in each case selected in accordance with criteria set forth in the Operations Manual) in the territory of the Recipient or, subject to the prior no-objection of the Association, overseas, including the purchase and publication of materials, rental of facilities, course fees, and lodging, travel expenses and per diems for trainers and/or trainees.
21. "Transhumant Action Plan" or "TAP" means the Project Implementing Entity's transhumant action plan disclosed on October 10, 2013, setting forth the actions and procedures to ensure that transhumance benefit from the activities implemented under the Project; as such Plan may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.
22. "Vulnerable Groups" mean landless persons and/or vulnerable women under GPs defined as such in accordance with the criteria set forth in the Operations Manual.
23. "Watershed Management Directorate" or "WMD" means the Project Implementing Entity's directorate responsible for implementing watershed programs in the State of Uttarakhand or any successor thereto.

24. "Watershed Department" means the Project Implementing Entity's Watershed Department under Rules of Business 1975 (Uttar Pradesh) / 2003 Uttarakhand.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).