

GRANT NO. SUPPL-GB-585-IN

FINANCING AGREEMENT

(Orissa Tribal Empowerment and Livelihoods Programme)

between the

REPUBLIC OF INDIA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 07 November 2006

FINANCING AGREEMENT

FINANCING AGREEMENT dated 07 November 2006 between the REPUBLIC OF INDIA (hereinafter called the "Recipient") and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter called the "Fund")

WHEREAS

(A) the Recipient and the Fund have entered into a Loan Agreement dated 18 December 2002 (hereinafter referred to as the "Loan Agreement") for an amount equivalent to Sixteen Million and Fifty Thousand Special Drawing Rights (SDR 16 050 000) from the Fund's regular resources (hereinafter referred to as the "Loan") for the carrying out of the Orissa Tribal Empowerment and Livelihoods Programme (hereinafter referred to as the "Programme") which is described in Schedule 1 of the Loan Agreement;

(B) UNOPS has duly been appointed as the Cooperating Institution to administer the Loan and supervise the Programme;

(C) the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government") acting through the Department for International Development (hereinafter referred to as "DfID") and the Fund have signed a Memorandum of Understanding regarding the Programme (hereinafter referred to as "MOU"), dated 18 March 2005;

(D) pursuant to the MOU, the Government shall make available to the Fund a sum not exceeding Seven Million Five Hundred and Forty Thousand Pounds Sterling (GBP 7 540 000) (hereinafter referred to as "the DfID Grant") to support the Programme's Components for a period of five years from 18 March 2005;

(E) the sharing of financing between DfID and the Fund shall be at a ratio 70:30 *pari passu*;

(F) DfID has informed the State of Orissa that at the end of the fourth year of the period described under letter (D) above, it shall consider the possibility of making additional sums available to the Fund to support the Programme's Components;

(G) the DfID Grant shall be administered by the Fund in accordance with the provisions of the MOU and Annexes thereto.

NOW THEREFORE, the Parties hereto hereby agree as follows:

ARTICLE I

General Provisions

*SECTION 1.01. *General Conditions.* (a) The Fund's "General Conditions for Agricultural Development Financing dated 2 December 1998" (hereinafter referred to as the "General Conditions") are annexed to this Agreement, and all provisions thereof (whether or not expressly mentioned herein), with the exception of Article V, Sections 6.01, 6.02(b), 6.03 to 6.05, 12.01(a), (c) and (d), 12.05 and 13.04, and subject to the modification set forth in (b), below, are made an integral part hereof. If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of

this Agreement shall govern, but no provision hereof shall limit the generality of any provision of the General Conditions.

(b) For purposes of this Agreement, the General Conditions shall be modified as follows:

- (i) the terms "Loan", either independently or as part of a phrase or other definition, and "Borrower" wherever used in the General Conditions shall be deemed to refer to "Grant" and "Recipient", respectively; and
- (ii) the term "Loan Account" shall be deemed to refer to "Grant Account".

SECTION 1.02. *Definitions.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, as modified by Section 1.01 above, in the Preamble to this Agreement and in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth.

SECTION 1.03. *Loan Agreement.* Without any limitation or restriction upon any of its obligations under this Agreement for the execution of the Programme, the Recipient accepts, *mutatis mutandis*, the provisions of the Loan Agreement, with the exception of Article II and Sections 3.03, 3.04, 6.03 and 7.02, as constituting an integral part of this Agreement and as valid and binding obligations of the Recipient to the Fund.

SECTION 1.04. *References and Headings.* Unless otherwise indicated, references in this Agreement to Articles, Sections of Schedules refer to Articles, Sections or Schedules of this Agreement. The descriptive headings of such Articles, Sections and Schedules are given for convenience of reference only and do not form an integral part of this Agreement.

SECTION 1.05. *Obligations of the Recipient and the Programme Parties.* The Recipient shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the Lead Programme Agency and all other Programme Parties under this Agreement. To the extent any Programme Party enjoys legal personality separate from the Recipient, any reference to an obligation of such Programme Party in this Agreement shall be deemed an obligation of the Recipient to ensure that such Programme Party performs such obligation. The acceptance by any Programme Party of any obligation ascribed to it in this Agreement shall not affect the responsibilities and obligations of the Recipient hereunder.

ARTICLE II

The Grant

SECTION 2.01. *The Grant.* Subject to the terms and conditions hereinafter set forth, the Fund agrees to make available to the Recipient from the resources of the Government an amount of Seven Million Five Hundred and Forty Thousand Pounds Sterling (GBP 7 540 000) as a grant for purposes of financing part of the Programme.

SECTION 2.02. *Grant Account and Withdrawals.* The Fund shall open a Grant Account in the name of the Recipient and credit the amount of the DfID Grant thereto. The Recipient may request withdrawals from the Grant Account from time to time between the Effective Date and 16 March 2010 in various currencies in respect of Eligible Expenditures and otherwise in accordance with Schedule 1 (Allocation and Withdrawal of Grant Proceeds) hereof, and Article IV (Loan Account and Withdrawals) and Section 6.02 (Currencies for Withdrawals) of the General Conditions, provided that:

- (i) any such withdrawal shall be subject to the condition that sufficient funds for the Programme shall have been deposited by DfID with the Fund and the Fund shall have been notified of such deposit in writing; and

- (ii) the Fund shall have no obligation to extend financial assistance to the Recipient under this Agreement for the purpose of the Programme if no funds are available for the Programme.

SECTION 2.03. *Authorised Allocation / Grant.* (a) Upon the Recipient's request, the Fund shall make one or more withdrawals of up to One Million US dollars (USD 1 000 000) equivalent in the aggregate (hereinafter referred to as the "Authorised Allocation / Grant") from the Grant Account on behalf of the Recipient and deposit such amount in the Special Account described in Section 2.03 (a) of the Loan Agreement.

(b) The Fund shall replenish the Special Account described in Section 2.03 (a) of the Loan Agreement from time to time upon request of the Recipient, in accordance with Section 4.08 (Special Account) of the General Conditions, in such minimum amounts as the Fund, or the Cooperating Institution on behalf of the Fund, may specify by notice to the Recipient.

(c) The Recipient shall operate the Special Account described in Section 2.03 (a) of the Loan Agreement in accordance with Section 4.08 of the General Conditions.

SECTION 2.04. *Use of Proceeds.* The Recipient shall use the proceeds of the Grant exclusively to finance part of the Programme, in accordance with this Agreement, the General Conditions, the Loan Agreement and its Schedules, the MOU and its Annexes. Without limiting the generality of the foregoing, it is agreed and understood that it is the policy of the Fund that Grant proceeds shall not be used to pay Taxes (as defined in the General Conditions), including (but not limited to) any Taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Grant.

ARTICLE III

Implementation of the Orissa Tribal Empowerment and Livelihoods Programme

SECTION 3.01. *Programme Implementation.* The Recipient declares its commitment to the goals and purposes of the Programme, in accordance with the provisions of Section 3.01 of the Loan Agreement.

SECTION 3.02. *Annual Work Plans and Budgets.* The Recipient shall ensure that the AWPBs referred to in Section 3.02 of the Loan Agreement shall include, among other things, a detailed description of planned Programme activities to be financed by the Grant during the coming Programme Year, and the use of funds therefor.

SECTION 3.03. *Implementation and Financial Reporting and Information.* The Recipient shall ensure that the activities of the Programme financed by the Grant shall be duly and separately covered by the implementation and financial reports, which the Recipient shall furnish to the Fund in accordance with Articles IV and V of the Loan Agreement.

SECTION 3.04. *Procurement.* The Recipient shall procure all items financed by the Grant in accordance with Schedule 4 of the Loan Agreement.

ARTICLE IV

Remedies of the Fund

SECTION 4.01. *Suspension.* (a) The Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account in accordance with Section 12.01 (Suspension by the Fund) of the General Conditions, upon the occurrence of any of the events set forth therein or in

Section 6.01 (Suspension) of the Loan Agreement, or if the right of the Recipient to withdraw the proceeds of the Loan has been suspended, cancelled or terminated, in whole or in part, or if the Loan has become due and payable prior to the agreed maturity thereof, or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.

(b) The Fund shall suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Audit Report required by Section 5.02 of the Loan Agreement with respect to the Grant has not been satisfactorily completed within twelve (12) months after the financial reporting period set forth therein, notwithstanding the provisions of Section 6.04 of the Loan Agreement.

SECTION 4.02. *Cancellation.* The Fund may terminate the right of the Recipient to request withdrawals from the Grant Account in accordance with Section 12.02 (Cancellation by the Fund) of the General Conditions, upon the occurrence of any of the events set forth therein or in Section 6.02 of the Loan Agreement.

SECTION 4.03. *Other Remedies.* The remedies of the Fund set forth in this Article shall not limit or otherwise prejudice any rights or remedies available to the Fund under the General Conditions and the Loan Agreement or otherwise.

ARTICLE V

Effectiveness

SECTION 5.01. *Conditions Precedent to Effectiveness.* This Agreement shall become effective in accordance with Article XIII (Effectiveness and Termination) of the General Conditions within ninety (90) days after the date hereof, or such later date as the Fund may designate, provided that a separate legal opinion has been issued by the Attorney General of the Recipient, or other legal counsel approved by the Fund, affirming that this Agreement is legally binding upon the Recipient in accordance with its terms.

ARTICLE VI

Miscellaneous

SECTION 6.01. *Representative.* Each of the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary and Under Secretary of the Department of Economic Affairs of the Borrower, or the respective nominee, is designated as representative of the Recipient for the purposes of Section 15.03 (Authority to Take Action) of the General Conditions.

SECTION 6.02. *Status of this Agreement.* The Recipient and the Fund agree that this Agreement constitutes an international agreement within the meaning of the Constitution of the Recipient; and is and shall be legally binding upon the Recipient in accordance with its terms without conflicting with or being conflicted by any law(s) to the contrary in the territory of the Recipient.

SECTION 6.03. *Communications.* Except as otherwise expressly provided in the Grant Documents or requested by the Fund, the Recipient shall address all communications relating to this Agreement to both the Fund and the Cooperating Institution, except for withdrawal applications (Section 4.04 of the General Conditions) and communications regarding procurement (Schedule 4 of the Loan Agreement), which the Recipient shall address to the Cooperating Institution only.

SECTION 6.04. *Addresses.* The following addresses are specified for all notices, requests, reports and other communications given or made under this Agreement:

For the Recipient:

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

Facsimile Numbers: (009111) 3012477
(009111) 3017511

For the Fund:

International Fund for Agricultural Development
Via del Serafico, 107
00142 Rome
Italy

Facsimile Number: (003906) 504 3463

For the Cooperating Institution:

United Nations Office for Project Services (UNOPS)
Midtermolen 3
P. O. Box 2695
DK-2100 Copenhagen
Denmark

Facsimile Number: (0045) 3546 7201

Copy to:

United Nations Office for Project Services (UNOPS)
United Nations Service Building – 2nd Floor
Rajadamnern Nok Avenue
Bangkok 10200
Thailand

Facsimile Number: (00662) 2881013

Copy to:

Secretary to the Government of Orissa
Scheduled Tribes/Scheduled Castes Development Department
Government of Orissa
Secretariat
Orissa, India

Facsimile Number: (0091) 674 412249

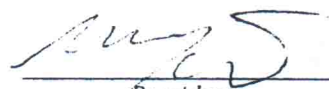
SECTION 6.05. *Language of Communications.* All notices, requests, reports, documents and other information and communications relating to this Agreement, the Grant and the Programme shall be in the English language.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in Rome, Italy, as of the day and year first above written.

REPUBLIC OF INDIA


Authorized Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT


President

SCHEDULE 1

Allocation and Withdrawal of Grant Proceeds

1. *Allocation of Grant Proceeds.* The Table below sets forth the allocation of the Eligible Expenditures to be financed by the Grant, the allocation of the amounts of Grant to each Category and the percentage of expenditures to be financed in each Category:

Category	Grant Amount Allocated (Expressed in GBP)	% of Eligible Expenditures to be Financed
I. Vehicles, Equipment and Materials	200 000	100% net of taxes or 90%
II. Technical Assistance, contractual services, studies and training	1 110 000	100% net of taxes or 95%
III. Investment Fund	770 000	98% net of taxes or 96%
IV. Grant Fund	80 000	100%
V. Credit	25 000	100% of amounts disbursed by PMU for Programme Credit Funds for NGOs
VI. Development Initiatives Fund	410 000	100%
VII. Salaries and Allowances	160 000	85%
VIII. Other incremental Costs	30 000	75%
IX. Unallocated	435 000	
Phase I	3 220 000	
Phase II	4 320 000	
Phase III	0	
TOTAL	7 540 000	

2. *Minimum Withdrawal Amounts.* Withdrawals from the Grant Account other than for those relating to the Special Account as referred to in Section 2.03 of this Agreement, shall be made in amounts no less than GBP 15 000 or its equivalent, or such other amount as the Fund may designate from time to time.

3. *Statements of Expenditure.* Withdrawals from the Grant Account may be made against certified statements of expenditure as the Fund may designate from time to time by notice to the Recipient. The records evidencing such expenditures need not be submitted to the Fund but shall be retained by the Recipient for inspection by the representatives of the Fund and the Cooperating Institution, in accordance with Sections 4.07 (Statements of Expenditure) and 10.03 (Visits, Inspections and Enquiries) of the General Conditions.