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Investing in rural people

The Republic of India

Livelihoods and Access to Markets Project

Negotiated financing agreement

Executive Board — 111th Session
Rome, 8-9 April 2014

For: Information

Negotiated financing agreement: "Livelihoods and Access to Markets Project"

(Negotiations concluded on 25 March 2014)

Loan Number: _____

Project Title: Livelihoods and Access to Markets Project ("the Project")

The Republic of India (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD") (each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

WHEREAS:

(A) The Borrower has requested a loan from the Fund for the purpose of financing the Livelihoods and Access to Markets Project described in Schedule 1 to this Agreement;

(B) The Project shall be carried out through the State of Meghalaya (the "State") pursuant to a separate agreement of even date herewith between the Fund and the State (the "Project Agreement");

NOW THEREFORE, the Parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

- 1 The amount of the Loan thirty two million four hundred thousand Special Drawing Rights (SDR 32 400 000).
- 2 The Loan is granted on blend terms, with a maturity period of 25 years, with a grace period of 5 years, interest rate at 1.25% and a service fee of 0.75%.
3. The Loan Service Payment Currency shall be the United States Dollars.

4. The first day of the applicable Fiscal Year shall be the 1st of April.
5. Payments of principal and service charge shall be payable on each 15 April and 15 October.
6. There shall be an account, denominated in USD, designated to receive a one-time initial advance of USD 1.5 million, to be settled by the Borrower in the first twelve months following the disbursement of such advance. All subsequent withdrawal applications during the Project Implementation Period will be submitted on the basis of reimbursement of expenditures.
7. There shall be a Project Account denominated in local currency opened and operated by the State Project Management Unit (SPMU), as described in Schedule 1 hereto, which shall be maintained in a bank mutually acceptable to the Fund and State Government.
8. There shall also be Sub-Project Accounts denominated in local currency opened and operated by the District Programme Management Units (DPMUs), as described in Schedule 1 hereto which shall be maintained in a bank mutually acceptable to the Fund and State Government.
9. The Borrower shall cause the State to provide an amount of approximately USD 50 million equivalent as counterpart financing for the Project. The Borrower, in cooperation with the State, shall undertake proactive measures/policies to ensure credit flow to the enterprises, convergence of other Government schemes and contributions from beneficiaries to achieve the design projections.

Section C

1. The Planning Department of Government of Meghalaya will be the nodal agency at the state level, whilst the Lead Project Agency shall be the Meghalaya Basin Management Agency (MBMA).
2. Additional Project Parties shall include any other stakeholder identified by the SPMU in agreement with the Fund.
3. The Project Completion Date shall be the eight anniversary of the date of entry into force of this Agreement.

Section D

The Loan will be administered and the Project supervised by the Fund.

Section E

1. The following is designated as an additional ground for suspension of this Agreement: The Project Implementation Manual (PIM) or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.

2. The following are designated as additional general conditions precedent to withdrawal, as well as additional conditions for eligibility of expenditures under IFAD financing:

- (a) The State level Project Management Committee (PMC) and the SPMU shall have been duly established.
- (b) A Project Director (PD) shall have been duly appointed.
- (c) An Additional Project Director (APD) shall have been duly appointed.
- (d) Key project finance staff shall have been duly appointed at SPMU level.
- (e) The Project Account shall have been duly opened by the SPMU.
- (f) The Project Agreement shall have been duly concluded between the Fund and the State of Meghalaya.
- (g) A PIM has been prepared and approved by the Board of Directors (BoD) of MBMA and the Fund

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
North Block
New Delhi 110001, India

Facsimile: +91 11 2309 4075

For the Fund: The President
International Fund for Agricultural development
Via Paolo di Dono 44
00142 Rome, Italy

Facsimile: + 39 06504 3463

This Agreement, dated _____, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

REPUBLIC OF INDIA

Authorised representative
[title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project is designed to cover the entire state of Meghalaya, with enterprise facilitation centres (EFC) in all 39 blocks (sub-districts) of the state supporting around 47,400 enterprises over the Project Implementation Period (the "Project Area"). The Project will adopt a saturation approach, covering all villages in a cluster and all households in a village. Clusters will be selected on the basis of their capacity and potential for development of marketable crops and other products. This approach will help ensure that vibrant livelihood opportunities developed through the Project then spread to other villages in the same region. To ensure that the poorest and most marginalised families are included in the Project activities, specific targeting strategies will be adopted to reach out to different groups such as women, especially women in remote areas, youth and those below poverty line.
2. *Goal.* The goal of the Project is to improve family incomes and the quality of life in rural Meghalaya.
3. *Objectives.* The objective of the Project is to adapt expanded and sustainable livelihood opportunities to the hill environment and to the effects of climate change.
4. *Components.* The Project shall consist of the following Components:

- (a) Component 1: Natural resources and food security. The Project will improve access to domestic and irrigation water, and support improvements to food crop production, as well as catchment conservation and soil conservation. The Project will identify and train a Village Facilitator (VF) who, along with Lead Farmers, will implement natural resources (NR) and food crop interventions under the aegis of existing Village Employment Councils (VEC). The component will lead to: (i) an improved knowledge base regarding land, water and biotic resources, (ii) improved capacity to plan and sustainably use these resources; and (iii) improved land and water resources, along with enhancing food crop production. This component will have two subcomponents: (i) capacity development and natural resource planning; and (ii) land, water resources and food crop development.

Existing village employment councils (VECs) will be the focal point for implementing this component. With the help of VF and contracted local service providers, and through application of participatory planning approaches, VECs will prepare Integrated Natural Resource Management Plans (INRMP). These plans would be supported with an allocation of approximately INR 400 000 per village (varying according to the size and needs of the village), to enable implementation of the plans.

- (b) Component 2: Livelihoods Support. This component aims to support and build the capacity of the community to implement commodity-specific livelihood activities and address issues related to access to markets and finance. It has five subcomponents: (i) enterprise development; (ii) integrated production and marketing clusters; (iii) livestock development; (iv) marketing infrastructure; and (v) rural finance.
 - (i) *Enterprise Development* will support EFCs in all 39 blocks. EFCs are a one-stop-shop for enterprise development where interested entrepreneurs will get access to bank, convergence and Project funding, along with training and technical support;

- (ii) *Integrated Production and Marketing Support*: at least one sub-sector (product) with potential for scaling up and commercial production will be identified for each village cluster. The Project will engage service providers to prepare and implement sub-sector plans. These service providers may be private companies, resource NGOs or other agencies.
 - (iii) *Livestock Development*: establishment of Livestock Development Centres (LDC), mostly focusing on pig production. Each LDC would cover about six villages.
 - (iv) *Marketing Infrastructure*: The Project will support development of infrastructure including for primary markets, eco-friendly village roads, submersible bridges and ropeways. The Project will also establish a system of management of the markets to ensure equitable access for poor producers and regular maintenance;
 - (v) *Rural Finance*: The Project will establish Integrated Village Cooperative Societies (IVCS) mostly located in the Project village clusters. Each IVCS will have a full-time paid employee, provide savings and credit services along with other activities, such as supply of farm inputs and aggregation of production for marketing. IVCS will be directly linked to the Meghalaya Cooperative Apex Bank and can also borrow wholesale funds from other sources.
- (c) Component 3: Knowledge Services will include: (i) information for natural resources governance, including village maps derived from remote sensing; (ii) information for enterprise development, including, if feasible, a telephone support system for EFC staff and clients; (iii) technology testing and action research to generate information on new technologies and solutions to NR and enterprise problems; (iv) monitoring and evaluation (M&E) of LAMP activities, outcomes and results; (v) knowledge management and lesson learning for LAMP participating households, Project staff and other stakeholders; and (vi) dissemination and communications to spread information on LAMP to external stakeholders and a wider audience.
- (d) Component 4: Project Management. LAMP will establish Project Management Units (PMU) one at the State level and 11 at District Level. The State PMU (SPMU) will include units for Project management and technical support, as well as housing the Knowledge Services Component. Project management will build on existing systems at the state and district levels and strengthen the capacity in an incremental manner.

II. Implementation Arrangements

A. Coordination

1. Coordination at the highest level will be provided by the Board of the Meghalaya Basin Development Authority (MBDA). This will review the progress of LAMP and ensure that its activities are coordinated with other development efforts in the state, especially with the nine missions on the Integrated Basin Development and Livelihood Promotion Programme (IBDLP) in aquaculture, apiculture, livestock, horticulture, sericulture, forestry & plantation crops, tourism, energy and water.

2. State level. A Project Management Committee (PMC) will be constituted to support the Project. Chaired by the Development Commissioner/Principal Secretary, Planning Department, this will include PD of LAMP, heads of relevant line departments at the state level, representatives from banks and at least one representative from civil society. Additionally, one District Project Co-ordinator/ District Project Manager will participate and this will be on a rotational basis. The APD of LAMP will be the Member-Secretary. The key functions of the PMC will be to review Project progress, identify and help resolve challenges/ bottlenecks impacting Project performance, review the Annual Action Plans, share information and facilitate convergence.

3. District level. At the district level coordination and convergence will be ensured by having the Deputy Commissioner for the district as District Project Coordinator (DPC). The Project will be included in the regular District Development Coordination meetings and in other cross-programme meetings at the district level. These arrangements will ensure that the Project links up with the technical line departments in the field both in terms of obtaining technical support and getting convergence funding from other projects being implemented by these agencies.

4. Village level. At the village level LAMP natural resource management (NRM) activities will be implemented through the VECs, or other suitable community organisation. These VECs also have responsibility for implementation of Mahatma Gandhi National Rural Employment Guarantee Act/Scheme, which provides a major source of funds for local level infrastructure, soil and water conservation, and catchment improvement – all major thrusts proposed for LAMP NRM. Each VEC will employ a Village Facilitator to support the implementation of LAMP activities in the village.

B. Management

5. The PD in charge of the management of LAMP will be a government appointee, preferably an Indian Administrative Service Officer who is the full-time Executive Director of MBMA. He/she will report to the Chief Executive of MBDA and to its BoD (who include the key Principal Secretaries of the Government of Meghalaya). PMU staff, including an APD, will be recruited from the open market on a contract basis or made available on deputation from the Government. The PMU may also comprise some of the existing staff of MBDA.

6. Technical Partner Agencies will provide specialised support for NR and Food Security, EFCs, Integrated Production and Marketing Clusters, Livestock Development, and Knowledge Services.

7. NRM and food security improvement will be implemented by VECs, with people in these villages also receiving financial services from IVCS. Integrated Production and Marketing activities in the same clusters will be implemented by producers and producer groups supported by service providers. IVCS will be member based cooperatives and will come under the overall guidance of MCAB and the Department of Cooperatives. Support to EFCs will be directly implemented by the Project. In case of road and market infrastructure development, the Project will use contractors for construction and Consulting Engineers to design and supervise construction, selected based on the approved Procurement Plan.

8. State level. At the state level, the SPMU will be housed within the MBMA. In the SPMU the APD will be responsible for ensuring convergence with other government schemes and will follow-up on coordination meetings to ensure that the Project obtains the maximum possible benefits from the very significant government resources available for complementary projects. If justified by the workload, the SPMU may appoint a Convergence Manager to take on these tasks.

The SPMU will have two teams which will work in close co-ordination with each other:

- (a) Project Management Team (PMT) with key responsibilities of: (i) prepare and implement action plans; (ii) support DPMUs in their day to day functioning; (iii) co-ordinate and liaise with line departments of the government for convergence; (iv) ensure quality of implementation; (v) procure services/good as required; and (vi) project accounting. The additional function of human resources (HR) will be managed by an HR team now being recruited for MBDA.
- (b) Knowledge Services Team (KST) which will come under the overall charge of a Director/Head of Knowledge Services, and consist of teams for natural resource knowledge, enterprise knowledge, M&E, and lesson learning and communications. Their key responsibilities would be to (i) collate and analyse information from the field and prepare reports, information briefs etc; (ii) identify needs for and prepare knowledge products for different audiences; (iii) facilitate knowledge sharing within and outside the project with key stakeholders; and (iv) develop and manage a knowledge website.

8.1. Subsidiary Agreement. The State of Meghalaya shall enter into a Memorandum of Understanding (Subsidiary Agreement) with the MBMA, mutually acceptable to the State and the Fund, which shall provide, among other things that:

- (a) The State shall transfer the proceeds of the Financing and the State's counterpart funds, as Grants-in-Aid, as per the approved annual workplan and budget, to MBMA, in advance;
- (b) MBMA shall declare its commitment to the goal and objective of the Project as stated hereinabove, and, in furtherance of such goal and objective, MBMA shall undertake to carry out the Project in accordance with this Agreement and with the Project Agreement;
- (c) Submission of withdrawal claims for the financing to the Borrower through the Planning Department of Government of Meghalaya;
- (d) The Procurement of works, goods and services undertaken by MBMA shall follow the Fund's Procurement Guidelines and the approved annual Procurement Plan; and
- (e) Provision that the financial statements of MBMA may also be audited by the Office of Comptroller and Auditor General of India and any observations resulting from the audit and the action taken thereof, shall be communicated to the Fund within a reasonable time.

9. District level. The Deputy Commissioner of the district will be the *ex officio* DPC of LAMP. At the district level the LAMP district project management unit (DPMU) will be integrated into the existing Basin Development Units (BDU). A full time District Project Manager (DPM), reporting to the DPC will be hired from the market and will be responsible for the day to day management of the Project activities at the district level and below. The team will provide handholding support as well as be responsible for supervision and monitoring of the EFCs, the Village Facilitators (who would be hired via the VECs) and the Managers of the IVCS. They will help resolve bottlenecks, liaise with the line departments at the district level as well as with the technical experts and project managers concerned at the state level to facilitate convergence and provide support to the entrepreneurs. The DPMU will also act as a liaison between the community level organizations (VEC, EFCs, IVCS) and the SPMU to ensure smooth flow of information and technical support. As required, additional staff may be attached to the DPMU to implement IBDLP activities that

are not being supported by LAMP. These staff would be funded by MBDA independently of LAMP. The DPMU shall also have Convergence Officers who will follow-up on coordination meetings to ensure that the Project obtains the maximum possible benefits from the very significant government resources available for complementary projects.

C. Programme Implementation Manual

The MBMA shall prepare a draft PIM to be approved by the BoD of MBMA and the Fund. The PIM shall include procedures and processes for Project implementation, financial administration and reporting.

MBMA shall adopt the PIM substantially in the form approved by the BoD and the Fund and may make amendments thereto from time to time with the approval of the Fund. The State shall cause the Project to be carried out in accordance with the PIM. In case of any discrepancies between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

D. Mid-Term Review

The Lead Project Agency and the Fund shall jointly carry out a review of the Project implementation no later than the fourth anniversary of the date of entry into force (the Mid-Term Review) based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints. The Borrower shall ensure that the agreed recommendations resulting from the Mid-Term Review are implemented with the specified time therefore and to the satisfaction of the Fund. Such recommendations may result in modifications to this Agreement or cancellation of or reduction in the Financing.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage
Works	7 340 000	55%
Equipment and materials	880 000	75%
Training	4 480 000	90%
Goods, Services and input	6 780 000	85%
Grants and Subsidies	4 490 000	50%
Salaries and allowances	4 650 000	40%
Operating costs	530 000	50%
Unallocated	3 250 000	
TOTAL	32 400 000	

(b) The terms used in the Table above are defined as follows:

“Equipment and materials” include expenditures for vehicles

“Goods, Services and input” include expenditures for goods, services and consultancies

Negotiated project agreement: "Livelihoods and Access to Markets Project"

(Negotiations concluded on 25 March 2014)

Loan Number: _____

Project Title: Livelihoods and Access to Markets Project (the "Project" or "LAMP")

The State of Meghalaya of the Republic of India (the "State") acting through its Governor
and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

Hereby agree as follows:

WHEREAS:

(A) By Financing Agreement (the "Financing Agreement") between the Republic of India (the "Borrower") and the Fund, the Fund has agreed to make available to the Borrower a loan in the amount of thirty two million four hundred thousand Special Drawing Rights (SDR 32 400 000) for the purpose of partially financing the Project, but only at the condition that the State agree to undertake such obligations toward the Fund as are set forth in this Agreement;

(B) By a Memorandum of Understanding (the "Subsidiary Agreement"), to be entered into between the State and the Meghalaya Basin Management Agency ("MBMA" or "Lead Project Agency"), the State shall make available the proceeds of the Financing as received from the Borrower in accordance with the Financing Agreement, together with other funds required for carrying out the Project in the State, available to the Lead Project Agency on terms and conditions set forth therein;

(C) The State, in consideration for the Fund entering into the Financing Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE, the Parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document and the Financing Agreement.

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement.

3. The State declares its commitment to the goal and objective of the Project as set forth in Schedule 1 of the Financing Agreement and accepts the obligations ascribed to it in the Financing Agreement, as valid, binding obligations of the State to the Fund.

4. For the purposes of this Agreement, any obligation of the Borrower, either independently or jointly with the Lead Project Agency/Project Parties to cause or ensure the taking of or forbearance from taking certain actions, shall be deemed a direct obligation of the State to the Fund to take or forbear from taking such actions or to cause or ensure the taking of or forbearance from taking such actions. This includes the obligation of the State to undertake proactive measures/policies to ensure credit flow to the enterprises, convergence of other Government schemes and contributions from beneficiaries to achieve the design projections.

5. Any obligation of any Project Party or other implementing agency to take or forebear from taking any actions, shall be deemed a direct obligation of the State to the Fund to cause, or ensure that the MBMA shall cause, such other Project Party or implementing agency to take or forebear from taking such actions.

Section B

1. In accordance with the Financing Agreement, the State shall enter into a Subsidiary Agreement with MBMA in form and substance acceptable by the Fund.

2. The State shall duly perform all its obligations under the Subsidiary Agreement and this Agreement and shall cause MBMA to perform all of its obligations under the Subsidiary Agreement. The State shall ensure that each other Project Party or implementing agency shall perform their respective obligations under the Project and under each other subsidiary agreement or memorandum of understanding which may be entered into to implement the Project.

Section C

The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the State:

xxxxxx
xxxxxx
xxxxxx

Facsimile: + (xx) xxxxxxxx

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

Facsimile: + (xx) xxxxxxxx

This Agreement has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the State.

STATE OF MEGHALAYA

Authorised representative
[title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President