

Document: EB 2011/104/R.22/Rev.1
Agenda: 10(c)(iii)
Date: 13 December 2011
Distribution: Public
Original: English

A



تمكين السكان الريفيين الفقراء
من التغلب على الفقر

| | |
|--|--|
| : _____ | : _____ |
| : _____ | : _____ |
| Kelly Feenan | Nigel Brett |
| +39 06 5459 2058 : gb_office@ifad.org : | +39 06 5459 2516 : n.brett@ifad.org : |

iii

1

1

1

2

3

3

4

4

5

5

6

6

8

9

10

10

10

10

11

11

11

12

12

12

12

13

13

/

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

14

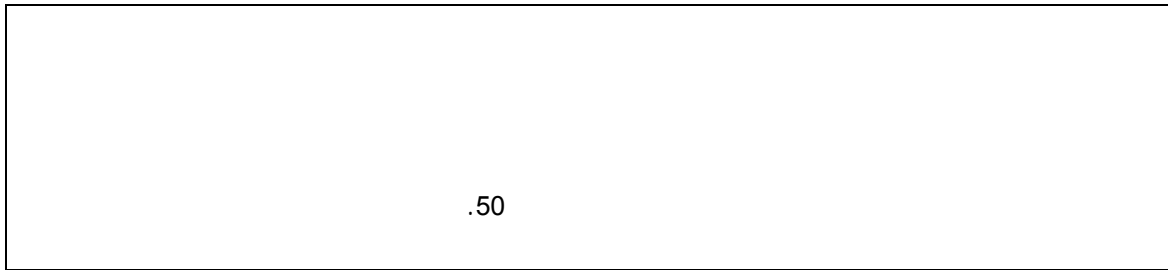
-

14

-

15

| | | | |
|----|----------|--------|---|
| | | | : |
| | | | : |
| | | | : |
| | | 258.81 | : |
|) | | 56.7 | : |
| (| | 89.91 | : |
| 10 | | | : |
| | 40 | | : |
| | (0.75) | | : |
| | | 48.02 | : |
| | | 10.97 | : |
| | | 109.89 | : |
| | | | : |
| | | | : |



.50

8.8

.2008/2007

2003/2002

1.2

72

1.4

41.6

33

1.25

-

-

-1

:

-2

-3

300

.(2009)

35

13

(2012-2007)

-4

4

2

2010 /

-

-5

.2011

-6

(1) :

(2)

.(2011 /)

-7

2012

-8

| | | | | |
|-----|---------|-----|-------------|-----|
| | | | | - |
| | | | | - |
| | | | | -9 |
| | (2001) | 8.5 | 54 483 | |
| | | 77 | | |
| | | | 44 | |
| | | | | |
| | | 41 | | -10 |
| | (| |) 2005-2004 | |
| | | | 18.6 | |
| 0.8 | | | | |
| |) | | | |
| | | | | |
| | | | | |
| | | 10 | | |
| | | | | |
| | | | | |
| (2) | (1) : | | | -11 |
| | | (4) | | (3) |
| | | | 143 400 | |
| | | | () | |
| | | | | |
| | | | | 20 |
| | | 50 | | |
| 20 | | | | |
| | 20 | | | |

| | | | | |
|--------------------------|---------|--------|--------|-----|
| | | | | - |
| | | | | -12 |
| | 143 400 | | | |
| | | | / | - |
| Uttarakhand Gramya Vikas | | | | -13 |
| | | | Samiti | |
| | () | | | |
| | | | / | |
| | | 17 | 93 800 | |
| | | 10 000 | | |
| | | | | -14 |
| 41 | | | | |
| | 125 000 | | | |
| | | | 39 000 | |

Uttarakhand Parvatiya Ajeevika) 25 Samvardhan Company -15

(

(1) :

Kshetriya Gramin Financial Services (KGFS)

(2)

(3)

(4)

Uttarakhand Parvatiya Ajeevika Samvardhan Company

Uttarakhand Gramya - -16

Uttarakhand Parvatiya Vikas Samiti
-Ajeevika Samvardhan

(2)

(1) :

-

-

-17

-18

-19

.. /

-25

Uttarakhand Gramya Vikas Samiti

Uttarakhand Parvatiya Ajeevika Samvardhan Company

-26

-27

Tally

-28

Uttarakhand Gramya Vikas Samiti

-29

-30

Uttarakhand Gramya Vikas Samiti

-31

Uttarakhand Parvatiya Ajeevika Samvardhan Company

-32

()

Uttarakhand Gramya Vikas Samiti

Uttarakhand Parvatiya Ajeevika Samvardhan Company

-33

)

(

-

-34

| | | | | | |
|----|---|----|--------|--------|-------|
| | | | | | - |
| | | | | | - |
| | | | 247.28 | | -35 |
| | | | | 5 | .2011 |
| | | | | 258.81 | |
| | 5 | | (2) | | (1) : |
| | | 45 | | | (3) |
| 52 | | | | | (4) |

| | | |
|---|---|---|
| |) |) |
| (| (| |

| | | | |
|------------|----------------|-------------------|---|
| 17 | 41.691 | 1 896 944 | - |
| 36 | 88.359 | 4 020 325 | - |
| 46 | 114.538 | 5 211 460 | - |
| 1 | 2.699 | 122 799 | - |
| 100 | 247.286 | 11 251 528 | |
| 5 | 11.525 | 977 207 | |
| 105 | 258.812 | 12 228 735 | |

| | | | | |
|--------|--|-------|-----|-----|
| | | | | - |
| 89.91 | | (1) : | | -36 |
| (3) | | 48.02 | (2) | |
| 109.89 | | | (4) | |
| | | 10.97 | | |

-

-40

-

-

.2015-2011

-41

.(2007)

(2010)

(2011)

" "

.(2009)

-

(2012-2007)

-42

.2011

-43

.2011 /

:

-

-44

:

Vivekananda Parvatiya Krishi

Anusandhan Sansthan

)

(

-45

25

-

-46

| | | |
|-------------|---|-----|
| | - | -47 |
| | | -48 |
| | | -49 |
| | - | -50 |
| : | | |
| 56 700 000) | : | |
| | (| |

Negotiated financing agreement: "Integrated Livelihood Support Project"

(Negotiations concluded on 29 November 2011)

Loan Number: _____

Project Title: Integrated Livelihood Support Project (the "Project" or "ILSP")

The Republic of India (the "Borrower")

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 Integrated Livelihood Support Project described in Schedule 1 to this Agreement;

(B) The Project shall be carried out through the State of Uttarakhand 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 is fifty six million seven hundred thousand Special Drawing Rights (SDR 56 700 000).

2. The Loan is granted on highly concessional terms as defined in Section 5.01 (a) of the General Conditions.
3. The Loan Service Payment Currency shall be the United States Dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1 April.
5. Payments of principal and service charge shall be payable on each 1 June and 1 December.
6. The Borrower shall open and maintain a Designated Account denominated in USD in the Reserve Bank of India for the Project. The Designated account shall be operated by the Ministry of Finance.
7. There shall be a Project Account denominated in local currency opened and operated by the Central Project Coordination Unit (CPCU), in a bank mutually acceptable to the Lead Project Agency and the Fund.
8. There shall also be three Sub-Project Accounts, one for the benefit of each of the following Project Parties: Uttarakhand Gramya Vikas Samiti (UGVS); Uttarakhand Parvatiya Ajeevika Sanvardhan Company (UPASAC); Project Society of the Watershed Management Directorate (PSWMD). All accounts shall be opened and maintained in bank(s) mutually acceptable to the above Project Parties and the Fund.
9. The Borrower shall cause the State to provide an amount of approximately forty eight million and twenty eight thousand United States Dollars (USD 48 028 000) to the Project as counterpart financing.

Section C

1. The Lead Project Agency shall be the Rural Development Department (RDD) of the Government State of Uttarakhand (The State), acting through its Central Project Coordination Unit (CPCU).
2. The following are designated as additional Project Parties:
 - (a) Uttarakhand Gramya Vikas Samiti (UGVS);
 - (b) Uttarakhand Parvatiya Ajeevika Sanvardhan Company (UPASAC);
 - (c) Project Society of the Watershed Management Directorate (PSWMD);
 - (d) Any other stakeholder identified by the Project Management Committee in agreement with the Fund.
3. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Loan shall be administered by the Fund 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:

- (a) The Project Steering Committee (PSC) and the Project Management Committee (PMC) shall have been duly established;
- (b) The CPCU within RDD shall have been duly established;
- (c) The Chief Project Director (CPD) of CPCU shall have been duly appointed;
- (d) The Designated Account shall have been duly opened by the Borrower;
- (e) The Project Account shall have been duly opened by the CPCU;
- (f) The Project Agreement in form and substance acceptable to the Fund shall have been duly concluded between the Fund and the State of Uttarakhand.

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 : +91-11-23092039

For the Fund:

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

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

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit small rural producers, women, scheduled caste households, and youth in the State of Uttarakhand (the "Project Area") in the Republic of India.

2. *Goal.* The goal of the Project is to reduce poverty in the Project area of the State of Uttarakhand.

3. *Objective.* The objective of the Project is to enable 143 400 rural households to take up sustainable livelihood opportunities.

4. *Components.* The Project shall consist of the following Components:

4.1. **Component 1: Food security and livelihood enhancement.** Under this component the Project shall support crop and livestock production for food security and also develop higher value cash crops and off-farm activities to provide cash incomes. This component shall comprise the following sub-components:

(a) Food Security and Scaling-up. Under this sub-component the Project shall:

- (i) Set up Producer Groups (PGs) comprising households with an interest to undertake similar basic livelihood activities at the village level. To ensure full participation of the poorest, the Project shall also mobilize Vulnerable Producer Groups (VPGs), comprising poorest households, particularly those belonging to scheduled castes (SC).
- (ii) Support clustering of PGs and VPGs into Livelihood Collectives (LCs). LCs shall be the focal points to establish input supply linkages and aggregate production for establishing market linkages.
- (iii) Facilitate LCs to: (i) expand cultivation of higher value cash crops and off-farm activities, such as community tourism; (ii) develop irrigation, and water and soil conservation related infrastructures; (iii) move into agribusiness by identifying crops with potential for expansion to wider market.
- (iv) Provide financing to PGs, VPGs and LCs to prepare and implement their Food Security Improvement Plans and Agribusiness Up-scaling Plans.

(b) Market access. Activities under this sub-component shall include:

- (i) Increasing access for hill producers to wider markets through sub-sector development;
- (ii) Supporting market infrastructure development through the establishment of assembly markets close to production areas, and the construction of roads, pathways, river crossings structures;
- (iii) Supporting the establishment of farmers' markets;
- (iv) Establishing collection points where produce can be stored;
- (v) Carrying out studies and workshops on market systems and market actors;

- (vi) Developing a market information system to deliver relevant and timely information to farmers;
- (vii) Building the capacity of farmers, partner non-governmental organizations staff and project staff to execute market related functions.
- (c) Innovation and market linkage. Under this sub-component the Project shall enter into agreements with qualified research and development agencies such as Vivekanand Parvatiya Krishi Anusandhan Shala (VPKAS), G B Pant University of Agriculture and Technology (GBPUAT), Uttarakhand Livestock Development Board, Himalayan Action Research Centre (HARC), and the Uttarakhand Bamboo and Fibre Development Board to carry out the testing and dissemination of technologies and approaches to improve food security, livelihoods and access to markets.
- (d) Vocational training. Under this sub-component the Project shall finance a study by the Manipal City and Guilds Joint Policy Advisor Group to identify opportunities for the Project to support vocational training. The Project will then finance implementation of a programme to provide vocational training for youth from households living in the hills.

4.2. Component 2: Participatory Watershed Development. Under this component, the Project shall protect and improve the productive potential of the natural resources in selected watershed areas, as well as increase households' incomes through sustainable utilization and management of natural resources such as water, land and vegetation. This component shall comprise the following sub-components:

- (a) Participatory watershed management. Activities under this sub-component shall include:
 - (i) Social mobilization and participatory planning of stakeholders at grass root level including, *inter alia*, the local government Gram Panchayat (GP), its Water and Watershed Management Committees (WWMCs), Van Panchayats (community forest groups), PGs, VPGs as well as individual beneficiaries.
 - (ii) Watershed developments and investments based on village plans and priorities.
- (b) Food security enhancement support. Under this sub-component the Project shall:
 - (i) Promote food security. To this end, PGs shall be formed to introduce, promote and disseminate improved technologies and farming practices. Support for PGs shall follow a similar pattern to that proposed for Component 1, with each PG drawing up a Food Security Improvement Plan and receiving funding from the Project for its implementation.
 - (ii) Identify the market potential for specific agricultural produce; develop collection centres and good storage facilities; create centres for value addition of the raw produce; identify market linkages, develop market information and logistic services.
- (c) Livelihood up-scaling support. Under this sub-component the Project shall:
 - (i) Promote income generating activities and support VPGs. For this purpose, VPGs shall be set up and shall be given sustained capacity building, orientation and training to encourage their entrepreneurial development. Each VPG shall draw up a Livelihood Improvement Plan receiving funding from the Project for its implementation.

- (ii) Support LCs for up-scaling income generating activities. In particular, LCs shall be set up and supported in their activities through funding from the Project.
- (d) Institutional strengthening. Under this sub-component the Project shall promote capacity building of WWMCs of the Gram Panchayat and community based organizations, including but not limited to, PGs, VPGs and Village Revenue Committees. To this end, NGOs shall be engaged to provide, *inter alia*, technical advice and trainings.

4.3. Component 3: Livelihood financing. Under this component the Project shall expand the outreach of basic financial services. This component shall comprise the following sub-components:

- (a) Banking support. Capacity development support to banks and expansion of branch networks of Sahastradhara Kshetriya Grameen Financial Services (SKGFS), a local rural finance institution and/or any other rural finance institution of similar capacity. In order to develop banking support, the following activities shall be carried out:
 - (i) Memoranda of Understanding (MOUs) shall be entered into by UPASAC with the banks having a larger presence in the Project area;
 - (ii) Annual credit need assessments shall be carried out by LCs and field NGOs and discussed with banks, Government programmes at annual district and state-level workshops;
 - (iii) Training shall be imparted, by reputed bank training institutions, to the branch and senior staff of the banks, especially in appraisal skills for lending to PGs, LCs and larger social enterprises, but also in new financing methods;
 - (iv) UPASAC shall contract SKGFS and/or any other rural finance institution of similar capacity to provide financial services at the door step of the clients through the establishment of additional branch offices and the introduction of new financial products.
- (b) Risk management. Piloting and scaling up of insurance services such as weather risk insurance, cattle insurance, mutual health insurance.
- (c) Financial inclusion initiatives. Facilitate LCs to become bank agents, and provide training on financial products.
- (d) Development finance fund. The Project, through UPASAC, shall fund community enterprises whom shall meet eligibility criteria established in the Project Implementation Manual. The investments provided by UPASAC may take the following forms: loans, equity and quasi-equity, and viability gap grants.
- (e) Establishment cost support to UPASAC. UPASAC's salary and overhead costs, including consultant's fees, will be supported by the Project in the initial 3 years and on a tapering basis thereafter.

4.4. Component 4: Project coordination and monitoring. The Project shall finance the establishment of a CPCU within RDD which shall be responsible for the overall coordination and monitoring of the Project. The CPCU shall be headed by a CPD and shall have two Units: (i) Finance Unit; and (ii) Planning and M&E Unit. The CPCU shall coordinate and monitor the activities carried out by the Project Parties, UGVS, PSWMD and UPASAC under the Components thereto allocated. UGVS, PSWMD and UPASAC shall each be headed by a Project Director (PD).

II. Implementation Arrangements

5. Project Steering Committee (PSC)

5.1. *Establishment and composition.* The Government State of Uttarakhand shall establish a state level Project Steering Committee (PSC) chaired by the Chief Secretary. The Secretary of RDD shall be the Secretary of the Committee. The members of the PSC shall include: (i) Forest and Rural Development Commissioner (FRDC); (ii) Principal Secretary, Finance; (iii) Secretary, Watershed; (iv) Secretary, Agriculture; (v) Secretary, Animal Husbandry; (vi) Secretary, Horticulture; (vii) Secretary, Industry; (viii) Secretary, Forest; (ix) Principal Chief Conservator of Forests; (x) Chief Project Director, Watershed Management Directorate; and (xi) Project Directors. Special Invitees to the PSC may include, the Heads of concerned line departments, Chief General Manager-NABARD, representatives of Confederation of Indian Industry (CII), Chambers of Commerce, Khadi and Village Industry Board (KVIB), Uttarakhand Bamboo & Fibre Development Board, Uttarakhand Organic Commodities Board, Convenor Bank of State Level Bankers Committee and implementing partner NGOs.

5.2. *Responsibilities.* PSC shall meet once in six months to review Project progress, provide overall guidance and policy support and to facilitate inter-departmental coordination.

6. Project Management Committee (PMC)

6.1. *Establishment and composition.* The PSC shall establish a Project Management Committee (PMC) chaired by the Secretary of RDD. The Secretary, Watershed shall be Co-chairperson. The Additional Secretary, Finance, the CPD, PDs and Implementation Partners (NGOs, Innovation Linkage Partners, etc.) shall be the members. The PD of UGVS shall be the Secretary of the PMC.

6.2. *Functions.* The PMC shall meet every quarter and its main functions shall include: (i) approving AWPBs together with PSC; (ii) reviewing physical and financial progress; (iii) reviewing progress towards achieving outcome indicators; (iv) resolving implementation issues; (v) working towards achieving convergence between various government sponsored activities and Project activities.

7. Lead Project Agency (RDD)

7.1. The Rural Development Department (RDD) of the State of Uttarakhand shall be the Lead Project Agency.

8. The Central Project Coordination Unit

8.1. *Establishment and structure.* A CPCU within the RDD shall be established headed by the CPD. The CPCU will have two Units: (i) Finance Unit; and (ii) Planning and M&E Unit.

8.2. *Functions of the Finance Unit.* The main functions of the Finance Unit shall include: (i) formulate and sign the Subsidiary Agreements with UGVS, PSWMD, UPASAC; (ii) organize PSC and PMC meetings; (iii) incorporate the budget requirements into the overall budget of the Government of Uttarakhand; (iv) operate the Project Account for timely release of funds to the Project Parties; (v) receive statements of expenditures and supporting documentation related to funds released to the Project Parties and keep an account of the funds released and utilized by UGVS, PSWMD and UPASAC; (vi) prepare overall Project financial statements; (vii) prepare and submit the withdrawal applications to the Controller of Aid, Accounts and Audit in the Ministry of Finance for onward

transmission to IFAD; (viii) and ensure preparation and submission of annual audit reports of the Project Parties to IFAD.

8.3. *Functions of the Planning and M&E Unit.* The main functions of the Planning and M&E Unit shall include: (i) submit the consolidated AWPB for approval of IFAD, PMC and PSC; (ii) prepare the annual procurement Plan and submit it to IFAD for approval; (iii) prepare and submit consolidated progress reports annually and quarterly to IFAD based on the progress reports submitted by UGVS, PSWMD and UPASAC; (iv) undertake M&E and knowledge management activities related to the Project; (v) prepare RIMS data for submission to IFAD.

9. Project Parties

9.1. *Responsibilities.* The Project shall mainly be implemented by the following Project Parties as follows:

- (a) UGVS, previously established for the implementation of the Livelihood Improvement Project for the Himalayas (Loan No. 624-IN), shall implement the Food Security and Livelihood Enhancement Component (component 1);
- (b) PSWMD shall be duly established to implement the Participatory Watershed Development component (component 2);
- (c) UPASAC, previously established for the implementation of the Livelihood Improvement Project for the Himalayas (Loan No. 624-IN), shall implement the Livelihood Financing component (component 3).

10. Project Directors

10.1. *Appointment and Tenure.* UGVS, PSWMD and UPASAC shall each be headed by a Project Director (PD) who shall be appointed by the State Government. IFAD shall be notified of any changes of the PDs. In order to ensure continuity and smooth implementation of the Project activities, as far as possible, the PDs will have a normal tenure of three years. The PDs of UGVS and PSWMD shall be assisted by a core team staff comprising agribusiness, finance, planning and monitoring and evaluation specialists.

10.2. *Responsibilities.* PDs shall be responsible for the day to day operations including the following functions: (i) ensure that UGVS, PSWMD and UPASAC carry out their functions as set out in the Subsidiary Agreements; (ii) supervise and monitor the activities of UGVS, PSWMD and UPASAC and their progress towards achieving physical, financial and outcome related targets; (iii) oversee field operations related to the respective Components and provide overall implementation guidance; (iv) operate the Sub-Project Accounts; (v) recruit staff required for implementing the Project; (vi) undertake project procurement; (vii) ensure that the Sub-Project Accounts are audited annually in accordance with IFAD audit requirements and submitting the same to CPCU; (viii) submit annual RIMS data to CPCU; and (ix) ensure that UGVS, PSWMD and UPASAC receive required level of funding for carrying out the activities.

11. Subsidiary Agreements

11.1. UGVS, PSWMD and UPASAC shall each enter into a Subsidiary Agreement with the State through the CPCU/RDD, acceptable to the Fund, which shall set out the terms and conditions under which such Project Parties shall implement their respective activities under each Project Component. The UGVS, PSWMD and UPASAC shall be responsible for the day to day implementation of the allocated components. The Establishment of Divisional Offices at the cluster/district level by the UGVS, PSWMD, and

UPASAC shall be need based. The main functions of UGVS, PSWMD and UPASAC shall include: (i) coordinate and implement components' activities, including procurement, in consultation with IFAD and under the guidance of PSC; (ii) prepare AWPBs and annual procurement plans and submit them to CPCU; (iii) finalize and execute partnership agreements/contracts with NGOs, service providers and specialized institutions for implementing various project activities; (iv) establish an effective M&E and MIS system to track sub-component's progress; (v) prepare and submit consolidated annual and quarterly progress reports to CPCU; (vi) supervise and monitor their respective component related activities and their progress towards achieving physical, financial and outcome related targets; (vii) prepare financial statements and prepare statements of expenditures for submission to CPCU; (viii) submit annual audit reports and RIMS data to CPCU; and (ix) liaise with the State administration, line agencies and other Project Parties to ensure coordination in project implementation.

12. District Committees

12.1. *Establishment and composition.* District Coordination and Monitoring Committees shall be established in each district covered by the Project activities and shall be chaired by the Chairman of the Zila Panchayat (elected head of the district government). Members shall include the district Chief Development Officer, project staff (from UGVS and/or PSWMD), partner NGOs staff, members of government line departments and representatives of Gram Panchayats and other community based organisations. Block Development Officers may also be members of this Committee. The Committee shall coordinate project implementation at the district level and ensure linkages between the Project, line agencies and other government agencies.

13. Project Implementation Manual (PIM)

13.1. The CPD, with assistance from the Project Parties, shall prepare a draft PIM for approval by the PMC in consultation with the Fund. The PIM shall include procedures and processes for Project implementation including, *inter alia*:

- (a) Terms of reference for key Project staff;
- (b) Terms of reference for NGOs recruited as service providers;
- (c) Terms of reference for studies and surveys;
- (d) Procurement processes; and,
- (e) Terms of reference for external and internal audits of Project Accounts.

13.2. The PMC shall adopt the PIM substantially in the form mutually agreed with the Fund and make amendments from time to time in agreement with the Fund.

13.3. The Borrower 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.

14. Mid Term Review

14.1. 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 Project Implementation Period (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 within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to this Agreement or cancellation of 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) | % of eligible expenditure to be financed |
|--|---|---|
| I. Civil works | 1 990 000 | 100% net of taxes, government and beneficiaries contributions |
| II. Watershed treatment | 11 500 000 | 100% net of taxes, government and beneficiaries contributions |
| III. Vehicle, Equipment and Materials | 340 000 | 100% net of taxes and government contributions |
| IV. Capacity building | 20 470 000 | 100% net of taxes, government and beneficiaries contributions |
| V. Livelihoods Financing | 540 000 | 100% net of taxes, government and banks contributions |
| VI. Service providers contracts | 10 320 000 | 100% net of taxes and government contributions |
| VII. Incremental salary and operating costs | 5 880 000 | 100% net of taxes and government contributions |
| Unallocated | 5 660 000 | |
| TOTAL | 56 700 000 | |

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

Civil works includes, but is not limited to, buildings, small-scale irrigation, roads and trails, bridges;

Watershed Treatment includes, but is not limited to, construction of earth bunds, water harvesting structures, check dams, terracing and levelling, diversion drains, contour trenches, stone wall protection works, biological protection measures and other watershed treatment works, and other minor village infrastructure;

Capacity Building includes activities related to training, workshops, technical assistance, surveys and studies, livelihood support, agri-business development support, project allowance, management and information system (MIS), geographic information system (GIS), as well as watershed experts to PSWMD;

Livelihoods Financing includes, but is not limited to, activities related to insurance pilots and viability gap funding;

Service providers contracts includes activities related to NGO contracts;

Incremental salary and operating costs includes incremental salaries, allowances and operation and maintenance costs, excluding existing Government salary costs of the PSWMD.

Logical framework

| Objective hierarchy | Indicators | Means of verification | Assumptions |
|--|--|---|---|
| Goal Reducing poverty in hill districts of Uttarakhand | Child malnutrition (under 5 yrs old: chronic, acute, underweight) ¹ Household assets Food security | Impact surveys (including RIMS anchor indicators) at baseline, mid-term and completion | Price of food does not increase relative to earnings. No major natural disasters |
| Development objective: Enable 143,400 rural households to take up sustainable livelihood opportunities integrated with the wider economy | 93,400 households report increase in income from sub-sectors supported by the project. 93,400 hh report increase in income (expenditure) Quality of housing improved for 93,400hh Access to water and sanitation improved for 53,400 hh Women's empowerment - 93,400f women report improvements in decision making, assets and mobility SC h'holds comprise at least 20% of all hh benefitting | Annual outcome surveys Impact surveys (including RIMS anchor indicators) at baseline, mid-term and completion | Employment opportunities in other parts of India do not mean that so many of the workforce migrates out of Uttarakhand that farming is affected. |
| Outcomes: | | | |
| 103,800 households from hill communities benefit from increased food production, greater participation and returns in markets for cash crops, tourism and new employment opportunities. | 70,000 farmers ¹ adopt improved technologies or increase in area irrigated by average of 0.15 ha 70,000farmers increase farm yield &/or output by average of 15%. 84,400 hh increase food self-sufficiency 5,000 hh establish new enterprises 5,000 hh expand existing enterprises. 18,000 hh report increased sales . 9,000 producers ¹ use new marketing channels. Increase in 5% of producers' share of retail price. 50% of producer organisations rated sustainable. 8,000 vocational training graduates ¹ gain employment. | Annual outcome surveys. KAP surveys Value chain studies Case studies of producer organisations VT reports & studies | Weather patterns do not change to the extent that seriously hinders farming. Food prices in hills do not fall to the extent that makes local production uneconomic. Markets for off season vegetables & other products not adversely affected by competition from imports or other areas. Communications (road and telecom) are developed. Vocational skills acquired are relevant to job market. |
| Farming systems in 41 project watersheds with a population of 36,600 households become more productive, and less vulnerable to erosion and drought. | Increase of 10% in vegetative biomass Increase of 10% in water availability Improved performance by 220 GP 22,000 farmers ¹ adopting new technologies Increase in farm yield & output by average of 15%. 4,500farmers increasesales of produce or use of new market channels | Watershed environmental monitoring Process monitoring of GP Annual outcome surveys KAP surveys | As above plus Treated watershed not damaged by erosion originating in reserve forests. GPs responsive to project & allocate required resources. |
| Increased investment in market-led opportunities by hill producers and their organisations. | UPASAC investments total Rs90 million. 40% increase in number and amounts of finance from other institutions. Five new financial products for project groups Recovery rate of bank loans and UPASAC Investments | Reports from UPASAC and other financial institutions | Regulatory framework allows financial innovation and encourages rural lending. |
| Lessons in development of hill communities learned and disseminated. | Lessons documented and disseminated via media and meetings. | Project progress reports | Project generates lessons which are widely applicable. |
| Outputs: | | | |
| Strengthen food production systems Support cash crops, market-orientated enterprises, tourism & institutions Develop market & other infrastructure Provide opportunities for vocational training | 93,000 people ¹ trained & get other livelihood support 18,000 producers ¹ benefit from value chains. 80 market access infrastructure facilities provided. 60 producer organisations involved in value chains. 10,000 people ¹ complete vocational training. | Project progress reports | Improved technologies for hill agriculture are available & profitable. Private sector & other value chain participants are interested. Public sector input supply channels function efficiently, or allow space for private suppliers. |
| Soil and water conservation. Watershed management capacities strengthened Livelihoods developed | 29,000 producers ¹ reached with improved technologies, irrigation, better communications and soil conservation. 125,000 ha covered by watershed conservation and development. | Project progress reports | Communities are interested and willing to prioritise watershed development. GP's able to play their role in implementing watershed development |
| Social venture capital company able to provide financial resources Other financial institutions strengthened to provide loans and other services. | UPASAC business plan 1,000 people attend training and exposure visits. 10 financial institutions participating in ILSP linkages. 20 new branches of SKGFS opened. | Project progress reports | Suitable staff can be recruited to UPASAC. Financial institutions willing to participate. |
| Effective and efficient systems for delivery of project outputs | Achievement of project targets at output and outcome levels. | Project progress reports | GoUK & IFAD establish efficient management framework. |
| Activities/components | | | |
| Food security and livelihood enhancement: Support for crop and livestock production via technology demonstrations and training, development of service providers, physical infrastructure for market access, irrigation, and soil conservation. Value chain sub-projects including market/sub-sector studies, introduction of new technologies, market linkage, skill development, product development and promotion, physical infrastructure for market access. Action-research and innovation sub-projects. Vocational training, apprenticeships and job placement services - implemented by UGVS | | | |
| Participatory watershed management: watershed planning and treatment, institutional strengthening, demonstrations and training, market linkages – implemented by PSWMD | | | |
| Livelihood finance: provision of debt and equity capital for enterprise start-up, piloting of risk management instruments, support for financial institutions – implemented by UPASAC | | | |
| Project management Project management unit established, staff recruited, agreements with partner agencies, project coordination, monitoring and evaluation, knowledge management – implemented by RDD | | | |

¹ indicators disaggregated by gender