

CONFORMED COPY

LOAN NO. 662-IN

PROGRAMME LOAN AGREEMENT

(Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu)

between the

REPUBLIC OF INDIA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 11 November 2005

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PROGRAMME LOAN AGREEMENT

PROGRAMME LOAN AGREEMENT dated 11 November 2005 between the REPUBLIC OF INDIA (the "Borrower"), acting by its President, and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (the "Fund").

WHEREAS (A) the Borrower has requested a loan from the Fund for the purpose of financing the Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu Programme described in Schedule 1 to this Agreement (the "Programme");

(B) the Programme shall be carried out by the State of Tamil Nadu (the "State" or "Tamil Nadu"), through the Tamil Nadu Corporation for Development of Women Ltd. ("TNCDW"), pursuant to a separate agreement of even date between the Fund and the State (the "Programme Agreement");

Deleted: Tamil Nadu Welfare Society for Self-Help Groups

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(C) the Loan will be administered by the Cooperating Institution to be appointed by the Fund; and

WHEREAS, on the basis of the above and other considerations, the Fund has agreed to extend a loan to the Borrower on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Provisions

SECTION 1.01. *General Conditions.* The Fund's General Conditions for Agricultural Development Financing dated 2 December 1998 (hereinafter called the "General Conditions") are annexed to this Agreement, and all provisions thereof (whether or not expressly mentioned herein) 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.

SECTION 1.02. *Definitions.* (a) Wherever used in this Agreement, unless the context otherwise requires, the terms defined in the General Conditions and the Preamble to this Agreement shall have the respective meanings set forth therein. All references to person(s) in this Agreement shall mean to include both genders and their use shall be considered synonymous with the terms "he" and "she".

(b) As used in this Agreement, the following terms shall have the following meanings:

"AWPB" means each annual work plan and budget for carrying out the Programme during a particular Programme Year, as described in Section 3.02.

"Board of Directors" means the Board of Directors of the Lead Programme Agency, described in paragraph 3.4 of Schedule 3.

"Contracted Service Providers" means those entities described in paragraphs 5.1.2 and 7(b) of Schedule 3.

"Cooperating Institution" means the entity designated as such in Section 1.05.

"CRC" means each Cluster Resource Centre, described in paragraph 5.3 of Schedule 3.

“Credit By-Laws” means the by-laws for carrying out the VCF, described in paragraph 8.3 of Schedule 3.

“DIO” means each District Implementation Office, described in paragraph 5.2 of Schedule 3.

“DRDA” means District Rural Development Agency in each Programme District.

“Fiscal Year” means each period beginning 1 April and ending 31 March.

“INR” means the currency of the Borrower.

“Lead Programme Agency” means the Tamil Nadu Corporation for Development of Women Ltd.

Deleted: “DSMS” means the District Supply and Marketing Society in each Programme District.¶

Deleted: “Executive Committee” means the Executive Committee of the , described in paragraph 3.4 of Schedule 3.¶

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“Loan Closing Date” means the date six months after the Programme Completion Date, or such later date as the Fund may designate by notice to the Borrower and the State.

“Loan Service Payment Currency” means the currency specified in Section 2.07.

“MFI” means micro-finance institution.

“Partner Implementing Agencies” means those entities described in paragraph 5.4 of Schedule 3.

“PMU” means the Programme Management Unit referred to in paragraph 5.1 of Schedule 3.

“PRI” means *Panchayati Raj* Institution.

“Programme Account” means the account for Programme operations described in Section 3.03.

“Programme Agreement” means the agreement between the Fund and the State of even date herewith, with respect to implementation of the Programme, as the same may be amended or otherwise modified from time to time.

“Programme Completion Date” means the eighth anniversary of the Effective Date, or such later date as the Fund may designate by notice to the Borrower and the State.

“Programme Director” means the person described in paragraph 5.1.1 of Schedule 3.

“Programme District” has the meaning ascribed to such term in paragraph 1 of Schedule 1.

“Programme Implementation Manual” means the Programme implementation manual described in Section B of Schedule 3, as the same may be amended or otherwise modified from time to time only with the prior consent of the Fund.

“Programme Party” includes (but is not limited to) each of the Lead Programme Agency, Programme Districts, CRCs, the VCF Manager, Partner Implementing Agencies and Contracted Service Providers.

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“Programme Village” has the meaning ascribed to such term in paragraph 1 of Schedule 1.

“Programme Year” means (i) the period beginning on Effective Date and ending on the next following 31 March, and (ii) each period thereafter beginning on 1 April and ending on the earlier of 31 March or the Programme Completion Date.

“PSC” means the Programme Steering Committee described in paragraph 4.1 of Schedule 3.

“SHGs” means self-help groups.

“Special Account” means the account referred to in Section 2.03.

“Subsidiary Agreement” includes (but is not limited to) the TNCDW GO/MOU.

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“TNCDW” means Tamil Nadu Corporation for Development of Women Ltd.

“TNCDW GO/MOU” means the agreement between the State and the Lead Programme Agency with respect to implementation of the Programme described in paragraph 3.3 of Schedule 3, as the same may be amended or otherwise modified from time to time only with the prior consent of the Fund.

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“US Dollars” or “USD” means the currency of the United States of America.

“VCF” means Venture Capital Fund, as described in paragraph 5.B(i) of Schedule 1.

“VCF Manager” means the entity contracted by the Lead Programme Agency to manage the VCF, as described in paragraph 8 of Schedule 3.

“VCF Management Agreement” means the agreement between the Lead Programme Agency and the VCF described in paragraph 8.3 of Schedule 3.

SECTION 1.03. *References and Headings.* Unless otherwise indicated, references in this Agreement to Articles or Sections or 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 1.04. *Obligations of the Borrower and the Programme Parties.* The Borrower shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the State, the Lead Programme Agency and all other Programme Parties under this Agreement. To the extent any Programme Party enjoys legal personality separate from the Borrower, any reference to an obligation of such Programme Party in this Agreement shall be deemed an obligation of the Borrower 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 Borrower hereunder.

SECTION 1.05. *Appointment of the Cooperating Institution.* The Fund intends to appoint the United Nations Office for Programme Services (UNOPS) as the Cooperating Institution, with the responsibilities set forth in Article III of the General Conditions, to administer the Loan and supervise the Programme in accordance with the Cooperation Agreement. The Borrower hereby agrees to such appointment.

ARTICLE II

The Loan

SECTION 2.01. *The Loan.* The Fund agrees to extend a Loan to the Borrower in the principal amount of nine million nine hundred and fifty thousand Special Drawing Rights (SDR 9 950 000) for the purpose of financing the Programme.

SECTION 2.02. *Loan Account and Withdrawals.* The Fund shall open a Loan Account in the name of the Borrower and credit the principal amount of the Loan thereto. The Borrower may request withdrawals from the Loan Account from time to time between the Effective Date and the Loan Closing Date in various currencies in respect of Eligible Expenditures and otherwise in accordance with Schedule 2 (Allocation and Withdrawal of Loan Proceeds) hereof, and Article IV (Loan Account and Withdrawals) and Section 6.02 (Currencies for Withdrawals) of the General Conditions.

SECTION 2.03. *Special Account.* (a) The Borrower shall open and thereafter maintain in a bank proposed by the Borrower and accepted by the Fund, a Special Account denominated in USD for the purpose of financing the Programme. The Special Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.

(b) After the Special Account has been duly opened, upon the Borrower's request, the Fund shall make one or more withdrawals of up to USD 1 000 000 in the aggregate (the "Authorised Allocation") from the Loan Account on behalf of the Borrower and deposit such amount in the Special Account. The Fund shall replenish the Special Account from time to time upon request, in accordance with Section 4.08 of the General Conditions (Special Account), in such minimum amounts as the Fund, or the Cooperating Institution on behalf of the Fund, may specify by notice to the Borrower.

(c) The Borrower shall operate the Special Account in accordance with Section 4.08 of the General Conditions.

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

Section 2.05. *Service Charge.* The Borrower shall pay to the Fund a service charge at the rate of 0.75% per annum on the amount of the Loan outstanding from time to time, payable semi-annually on each 15 October and 15 April in the Loan Service Payment Currency.

SECTION 2.06. *Repayments of Principal.* The Borrower shall repay the outstanding principal amount of the Loan in 59 equal semi-annual instalments of SDR 165 834, payable on each 15 October and 15 April commencing on 15 October 2015 and ending on 15 October 2044, and one final instalment of SDR 165 794, payable on 15 April 2045, in the Loan Service Payment Currency.

SECTION 2.07. *Loan Service Payment Currency.* The currency of the United States of America shall be the Loan Service Payment Currency for purposes of this Agreement.

ARTICLE III

The Programme

SECTION 3.01. *Programme Implementation.* The Borrower declares its commitment to the goals and purposes of the Programme as stated in Schedule 1 and, in furtherance of such goals and purposes, the Borrower shall ensure that the State, the Lead Programme Agency and each of the other Programme Parties shall carry out the Programme:

- (a) with due diligence and efficiency;
- (b) in conformity with all appropriate administrative, engineering, financial, economic, operational, environmental, agricultural development practices (including rural development practices) and good governance;
- (c) in accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower and the Cooperating Institution;
- (d) substantially in accordance with the AWPBs;
- (e) on the basis of the Programme Implementation Manual;
- (f) with respect to the VCF, substantially in accordance with the Credit By-laws and the VCF Management Agreement;
- (g) otherwise in accordance with this Agreement (in particular, Schedules 3 and 3A hereto), the Programme Agreement and any other Loan Document; and
- (h) so as to ensure the sustainability of its achievements over time.

SECTION 3.02. *Annual Work Plans and Budgets.* (a) The PMU shall prepare a consolidated draft annual work plan and budget (AWPB) for each Programme Year, and submit it to the Lead Programme Agency. Each draft AWPB shall include, among other things, a detailed description of planned Programme activities during the coming Programme Year, and the sources and uses of funds therefor, based on the respective work plans and budgets prepared by each Programme Party.

(b) The Lead Programme Agency shall submit each draft AWPB to its Board of Directors for its approval. When so approved, the Lead Programme Agency shall submit each draft AWPB to the State, the Fund and the Cooperating Institution, for their respective comments and approval, no later than 60 days before the beginning of the relevant Programme Year. If neither the Fund nor the Cooperating Institution comment on the draft AWPB within 30 days after receipt, the AWPB shall be deemed approved.

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(c) The Board of Directors of the Lead Programme Agency shall adopt each AWPB substantially in the form approved by the Fund and the Cooperating Institution, and the Lead Programme Agency shall provide copies thereof to the Fund and the Cooperating Institution, prior to the commencement of the relevant Programme Year.

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(d) If required, the PMU may propose adjustments in the AWPB during the relevant Programme Year, which shall become effective upon approval by the Fund and the Cooperating Institution.

SECTION 3.03. *Programme Account.* The Lead Programme Agency shall open and thereafter maintain in a commercial bank accepted by the Fund, an account denominated in INR for Programme operations (the "Programme Account"). The Programme Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the State and accepted by the Fund. The Programme Director shall be fully authorised to operate the Programme Account.

SECTION 3.04. *Availability of Loan Proceeds.* (a) The Borrower shall make the proceeds of the Loan available to the State in accordance with its applicable procedures for the transfer of external assistance to carry out the Programme.

(b) The Borrower shall ensure that the State makes the proceeds of the Loan available to the Lead Programme Agency in accordance with the TNCDW GO/MOU to carry out the Programme.

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SECTION 3.05. *Availability of Additional Resources.* (a) In addition to the proceeds of the Loan, the Borrower shall make available to the State, the Lead Programme Agency and each other Programme Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme in accordance with this Agreement.

(b) Without limiting the generality of paragraph (a) above, the Borrower shall ensure that the State makes available to the Lead Programme Agency during the Programme Implementation Period counterpart funds from its own resources as per the AWPB for each Programme Year in accordance with the TNCDW GO/MOU, the Programme Agreement and this Agreement.

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Section 3.06. *Channelling of Programme Resources.* The State, through the Rural Development Department, shall transfer available funds and other resources called for in the AWPBs to the Lead Programme Agency in accordance with the TNCDW GO/MOU to carry out the Programme.

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SECTION 3.07. *Procurement.* All procurement financed by the proceeds of the Loan shall be carried out in accordance with Schedule 4.

SECTION 3.08. *Programme Completion Date.* The Programme Parties shall complete the implementation of the Programme on or before the Programme Completion Date.

ARTICLE IV

Implementation Reporting and Information

SECTION 4.01. *Monitoring.* The PMU shall establish, as soon as practicable but in no event later than 120 days after the Effective Date, and thereafter maintain an appropriate information management system in accordance with the Fund's "Guidelines for Programme Monitoring and Evaluation" to enable it to continuously monitor the Programme in accordance with paragraph 2 of Schedule 3A and Section 8.02 (Monitoring of Programme Implementation) of the General Conditions.

SECTION 4.02. *Progress Reports.* The PMU shall submit to the Fund and the Cooperating Institution quarterly and consolidated six-monthly and annual progress reports on Programme implementation, as required by Section 8.03 (Progress Reports) of the General Conditions, based on progress reports prepared and submitted by each Programme Party in accordance with paragraph 5 of Schedule 3A, no later than two months after the end of each six-monthly and annual period during the Programme Implementation Period. In addition to the matters described in Section 8.03 of the General Conditions, the progress reports shall address financial progress of the Programme, as recorded against the AWPB for the relevant Programme Year.

SECTION 4.03. *Mid-Term Review.* (a) The Borrower, the State, the Lead Programme Agency, the Fund and the Cooperating Institution, shall jointly carry out a review of Programme implementation no later than the end of the thirty-sixth month following the Effective Date (the "Mid-Term Review" or "MTR") based on terms of reference prepared by the PMU and approved by the Fund and the Cooperating Institution. Among other things, the Mid-Term Review shall consider (i) the achievement of Programme objectives and the constraints thereon, and the performance of the Programme Parties, (ii) the conclusions of the various assessments of Programme impact and progress, and shall recommend such reorientation as may be required to achieve such objectives and remove such constraints.

(b) The Borrower shall ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Based on the findings of the MTR, a mutually acceptable action plan for the remainder of the Programme shall be prepared. It is agreed and understood that such recommendations may result in modifications to the Loan Documents or cancellation of all or part of the undisbursed portion of the Loan.

SECTION 4.04. *Completion Report.* The PMU shall submit to the Fund and the Cooperating Institution the completion report on the Programme required by Section 8.04 (Completion Report) of the General Conditions no later than six months after the Programme Completion Date.

SECTION 4.05. *Evaluations.* The Borrower and each Programme Party shall facilitate all evaluations and reviews of the Programme that the Fund may carry out during the Programme Implementation Period and for ten years thereafter, as required by Section 10.05 (Evaluations of the Programme) of the General Conditions.

ARTICLE V

Financial Reporting and Information

SECTION 5.01. *Financial Statements.* The PMU shall prepare the financial statements of the operations, resources and expenditures related to the Programme required by Section 9.02 (Financial Statements) of the General Conditions in respect of each six-month and annual period (the latter, the “Consolidated Financial Statements”) during each Fiscal Year, based on the financial statements prepared by each Programme Party, and deliver such financial statements to the Fund and the Cooperating Institution within three months after the end of each such period.

SECTION 5.02. *Audit Reports.* (a) Within 90 days after the Effective Date, the Lead Programme Agency shall appoint, with the prior approval of the Fund and the State, independent auditors in accordance with the procedures and criteria set forth in the Fund’s “Guidelines on Project Audits (Borrowers’ Use)” (2003, as may be amended from time to time) to audit the annual Consolidated Financial Statements relating to the Programme referred to in Section 5.01.

(b) The Lead Programme Agency shall have the annual Consolidated Financial Statements relating to the Programme audited each Fiscal Year by such auditors in accordance with the International Standards on Auditing and the Fund’s “Guidelines on Project Audits (Borrowers’ Use)” (2003, as may be amended from time to time) until the Loan Closing Date. In accordance with Section 9.03 of the General Conditions, in addition to the audit report on the Consolidated Financial Statements, the auditors shall provide: (i) an opinion on the certified statements of expenditure and the operation of the Special Account and the Programme Account; and (ii) a separate management letter, addressing the adequacy of the accounting and internal control systems. The Lead Programme Agency shall deliver the above-mentioned items to the State, the Fund and the Cooperating Institution within six months of the end of each such Fiscal Year. The PMU shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.

ARTICLE VI

Remedies of the Fund

SECTION 6.01. *Suspension.* (a) The Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account in accordance with Section 12.01 of the General Conditions upon the occurrence of any of the events set forth therein or any of the following events:

- (i) The Credit By-laws, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the VCF.
- (ii) The Programme Implementation Manual, or any provision thereof, has been waived, suspended terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Programme.
- (iii) Any competent authority has taken any action for the dissolution of ~~TNCDW~~ or the VCF Manager, or the suspension of the operations of either or both, or any action or proceeding has been commenced for the distribution of any assets of the ~~TNCDW~~ or the VCF Manager among their respective creditors, and no alternative solution is proposed by the State to the satisfaction of the Fund.
- (iv) Either the State, with respect to the Programme Agreement and the ~~TNCDW GO/MOU~~, or the Lead Programme Agency, with respect to the ~~TNCDW GO/MOU~~ shall have failed to perform any of its obligations under the Programme Agreement or the ~~TNCDW GO/MOU~~.
- (v) The Lead Programme Agency shall have amended or abrogated any provision of its constitutional documents, with the exception of those amendments as required herein as shall have been approved by the Fund, without the prior consent of the Fund, and which amendment or abrogation, in the opinion of the Fund, may impact the Lead Programme Agency's ability to implement the Programme in accordance with the terms of this Agreement.
- (vi) The recommendations and action plan resulting from the Mid-Term Review have not been implemented to the satisfaction of the Fund within the time specified therefor.

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

SECTION 6.02. *Cancellation.* The Fund may terminate the right of the Borrower to request withdrawals from the Loan Account in accordance with Section 12.02 of the General Conditions, upon the occurrence of any of the events set forth therein, or if the Mid-Term Review has recommended that the Programme be terminated.

SECTION 6.03. *Acceleration.* The Fund may declare the outstanding principal amount of the Loan, together with all accrued and unpaid service charge thereon, immediately due and payable in accordance with Section 12.05 of the General Conditions, upon the occurrence of any of the events set forth therein.

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SECTION 6.04. *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 or otherwise.

ARTICLE VII

Effectiveness

SECTION 7.01. *Conditions Precedent to Effectiveness.* This Agreement shall become effective in accordance with Article XIII of the General Conditions (Effectiveness and Termination) subject to the fulfilment of the following conditions precedent:

- (a) the Project Director shall have been appointed by the State from among the cadre of civil servants, in accordance with paragraph 5.1.1 of Schedule 3;
- (b) the PSC shall have been duly established by the State in accordance with paragraph 4.1 of Schedule 3;
- (c) the PMU shall have been duly established in accordance with paragraph 5.1 of Schedule 3;
- (d) the Lead Programme Agency shall have delivered to the Fund an updated audit report and financial statements confirming the Lead Programme Agency's capacity to manage the Programme to the satisfaction of the Fund;
- (e) the Borrower shall have duly opened the Special Account in accordance with Section 2.03;
- (f) the Lead Programme Agency shall have duly opened the Programme Account in accordance with Section 3.03;
- (g) this Agreement shall have been duly signed, and the signature and performance thereof by the Borrower shall have been duly authorised and ratified by all necessary administrative and governmental action;
- (h) the Programme Agreement shall have been duly signed and a favourable legal opinion shall have been issued by competent legal counsel for the State in respect of the Programme Agreement's legally binding nature upon the State and delivered to the Fund; and the signature and performance thereof by the State has been duly authorised or ratified by all necessary administrative and governmental action;
- (i) a copy of the signed TNCDW GO/MOU, in accordance and following the procedures described in paragraph 3.3 of Schedule 3, shall have been delivered to the Fund; the signature and performance thereof by the State shall have been duly authorised or ratified by all necessary administrative, corporate and/or governmental action; all conditions precedent to the effectiveness thereof (other than the effectiveness of the Loan Documents) shall have been fulfilled; and a favourable legal opinion shall have been issued by a competent legal counsel in the State and delivered to the Fund, in respect of (i) the TNCDW GO/MOU's legally binding nature upon the State and TNCDW, respectively, and (ii) that TNCDW is duly organized, validly existing and in good standing under the laws of the State of Tamil Nadu and has the legal right to conduct the business in which it is engaged; and
- (j) a favourable legal opinion, issued by the Solicitor General of the Borrower in respect of the matters set forth in Section 7.02 hereof and in form and substance acceptable to the Fund, shall have been delivered by the Borrower to the Fund.

SECTION 7.02. *Legal Opinion.* The legal opinion required by Section 7.01 shall favourably address the following matters:

- (a) the conditions precedent specified in paragraph (g) of Section 7.01 have been fulfilled; and
- (b) this Agreement is legally binding upon the Borrower in accordance with its terms.

Deleted: <#>TNWS shall have duly amended its by-laws and any other necessary constitutional document/legal instrument required to permit the appointment of the Project Director to be its Chief Executive Officer; and a legal opinion shall have been provided to the Fund by duly qualified counsel to TNWS attesting to the procedure followed, validity and legally binding effect of such amendment; ¶

<#>the DSMS in each Programme District shall have duly amended its by-laws and any other necessary constitutional document/legal instrument required to permit the appointment of a District Implementation Officer, who shall be appointed by the State to be the respective DSMS' Chief Executive Officer; and a legal opinion shall have been provided to the Fund by duly qualified counsel to each such DSMS attesting to the procedure followed, validity and legally binding effect of such amendment; ¶

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SECTION 7.03. *Deadline for Effectiveness.* If this Agreement does not become effective within 180 days after the date hereof or such later date as the Fund may designate, the Fund may terminate this Agreement and the other Loan Documents as provided in Section 13.03 of the General Conditions.

ARTICLE VIII

Miscellaneous

SECTION 8.01. *Representatives.* Each of the Secretary, the Additional Secretary, the Joint Secretary, the Director, the Deputy Secretary, the Deputy Director and the Under-Secretary of the Department of Economic Affairs of the Ministry of Finance of the Borrower are designated as representatives of the Borrower for the purposes of Section 15.03 of the General Conditions.

SECTION 8.02. *Status of this Agreement.* The Borrower represents to the Fund that this Agreement is and shall continue to be legally binding upon the Borrower in accordance with its terms regardless of any laws to the contrary in the territory of the Borrower, and that it is supported by the full faith and credit of the Borrower.

SECTION 8.03. *Communications.* Except as otherwise expressly provided in the Loan Documents or requested by the Fund, the Borrower shall address all communications relating to this Agreement to both the Fund and the Cooperating Institution, except for:

- (a) withdrawal applications (Section 4.04 of the General Conditions) and communications regarding procurement (Schedule 4 of this Agreement), which the Borrower shall address to the Cooperating Institution only; and
- (b) communications regarding Loan Service Payments (Sections 2.05, 2.06 and 2.07 of this Agreement; Articles V and VI of the General Conditions), which the Borrower shall address to the Fund only.

SECTION 8.04. *Addresses.* The following addresses are specified for all notices, requests, reports and other communications given or made under this Agreement:

For the Borrower:

Department of Economic Affairs
Ministry of Finance
North Block
New Delhi
India

Facsimile Number: (9111) 23095039

For the State of Tamil Nadu:

Secretary to Government
Government of Tamil Nadu
Rural Development Department
Fort St. George
Chennai, 600009
India

Facsimile Number: (9144) 25675849

Copy to:

Tamil Nadu Corporation for Development of Women Ltd.
No. 100, Anna Salai
Guindy
Chennai, 600032
India

Facsimile Number: (9144) 22352751

For the Fund:

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

Cable Address: IFAD ROME

Facsimile Number: (3906) 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
United Nations Service Building – 2nd Floor
Rajadamnern Nok Avenue
Bangkok 10200
Thailand

Facsimile Number: (662) 2881013

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SECTION 8.05. *Language of Communications.* All notices, requests, reports, documents and other information and communications relating to this Agreement, the Loan and the Programme (including the reports required by Articles IV and V) shall be in the English language.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have signed this Agreement in Rome, Italy, as of the date first above written.

REPUBLIC OF INDIA

Signed by: (Rajiv Dogra)
Authorised Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Signed by: (Lennart Båge)
President

SCHEDULE 1

Programme Description

1. *Programme Area.* The Programme shall be carried out in selected villages (“Programme Villages”) located in the following six coastal districts in the State: Kancheepuram, Villupuram, Cuddalore, Nagapattinam, Tiruvallur and Kanyakumari (each a “Programme District”; collectively the “Programme Area”).

2. *Target Group.* The Programme shall benefit those coastal dwellers in the Target Area (in villages directly or indirectly affected by the tsunami) including the following occupational groups: (i) coastal fisherfolk using beach-launched craft (*kattumarans*, *vallams*); (ii) wage labour employed in the fisheries and agricultural sectors (including animal husbandry); (iii) small-scale women fish vendors and processors; (iv) small and marginal farmers (including salinity-affected farmers); and (v) other marginalised occupation groups (e.g., seashell workers). Within the above occupational groups, the Programme shall focus on single adult-headed households (especially widows and widowers), Scheduled Castes and Scheduled Tribes.

3. *Goal.* The overall goal of the Programme is to build self-reliant coastal communities, resilient to shocks and able to manage their livelihood base in a sustainable manner.

4. *Purpose.* The purpose of the Programme is to develop viable enterprises and resource management systems, owned and operated by poor men and women in the Target Area, and supported by community and other appropriate institutions.

5. *Components.* In building local community-based organisations and empowering them to take the lead in their own development, the Programme shall consist of the following Components:

A. *The Coastal Area Resource Management Component.* Community organisations shall be built and supported through:

- (i) Community Resource Planning. Participatory exercises through community institutions, including PRIs, shall be undertaken to (a) identify and prioritise basic community infrastructure required for improving quality of life of the community, and (b) identifying key issues vis-à-vis coastal and fisheries resources and their management to enable communities to plan for initiatives that will need to be undertaken to protect and improve their environment and their livelihoods (“initial resource mapping exercises”). The initial resource mapping exercises shall be followed by participatory development of microplans and proposals for community infrastructure development, which shall be vetted and verified and whose implementation shall be reviewed on a biannual basis. Community exchange visits shall be organised for beneficiaries, and overseas trips for key stakeholders shall be undertaken for the same purposes. The Programme shall establish and make available a fund (the “Community Infrastructure Fund”) for each Programme Village for the implementation of proposals developed and verified through the initial resource mapping and micro-planning exercises.
- (ii) Fisheries Resources Management. Cluster-level workshops shall be organised and conducted following the identification of coastal and fisheries management issues identified during the micro-planning process (see (i), above), after which the Programme shall undertake studies to consolidate the issues emerging from the cluster-level workshops to look at technologically and socially feasible options, and workshops based on these studies shall be organised at the State level once every two years during the Programme Implementation Period. Recommendations and suggestions resulting from State- and cluster-level workshops shall be vetted and proposals developed to implement some of

them on a pilot basis to be financed by the Programme through the "Pilot Initiatives Fund", whereby proposals could be developed, for example, to put in place community-based monitoring and enforcement systems, to replace destructive gear, to test out low cost vessel-monitoring systems, to test out diversification options within the fishery etc.; the financing of each such pilot initiative shall be limited to a maximum amount of INR 3 000 000.

- (iii) Community Support. Cluster Resource Centres shall be established to coordinate activities with communities in consultation with the PRIs at the local level for Programme implementation on a demand-driven basis.

B. *The Rural Finance and Risk Transfer Instruments Component*. Access to micro-finance and other financial services shall be facilitated through:

- (i) Venture Capital Fund. The Programme shall establish and finance a Venture Capital Fund ("VCF") to supplement loans from banks and MFIs to self-help groups (SHGs) and fisherfolk's societies by providing quasi-equity finance to SHGs and fisherfolk's societies.
- (ii) Micro-Credit for SHGs. Through this and other activities under the Programme (see Component C, below), members of SHGs shall be strengthened and linked with banks for access to credit. Specifically, activities under this sub-component shall support:
 - (a) training of SHG members to identify income-generation opportunities;
 - (b) inviting MFIs already functioning elsewhere to set up branches in the Programme Area to lend to the groups, and providing funding to support such MFIs' start-up costs for such branches;
 - (c) sensitising local bankers to the needs of the Programme through workshops, training and exposure visits within India and to other countries where banks have financed the fisheries sector, joint liability groups, etc.; and
 - (d) supporting the setting up of marketing societies through which fisherfolk will be in a position to access the financial services. The credit needs of fisherfolk shall also be met through the marketing societies: societies' members shall be linked to banks and MFIs to access credit, and the societies shall also enable fisherfolk to access a variety of need-based savings and insurance products.
- (iii) Financial Innovation. In order to incentivise MFIs to finance micro-enterprises, the Programme shall: (a) support MFIs through grants for product development, systems development and start-up costs to cater to this market; (b) commission a study into finance in the fisheries sector in each Programme District; and (c) fund some exposure visits within India and abroad for staff from financial institutions (banks, MFIs, insurance companies, SHG federations, etc.) involved in the Programme.
- (iv) Risk Management and Insurance. The Programme shall look for ways to expand the outreach of insurance, pension and savings products to equip the households to mitigate risks for piloting some products and adapting existing products of insurance companies. To this end, the Programme shall: (a) investigate the scope for expanding insurance coverage, including community-based insurance, as well as the development of suitable products with formal insurance companies; (b) undertake an extensive training programme for members of SHGs and fisherfolk societies to make use of the insurance service in order to encourage groups to link up with insurance companies for endowment and pension schemes; and (c) support disaster management funds, to be created by SHGs and fisherfolk societies

and managed by federations or other apex bodies in order to provide interest-free loans following disasters, on a matching grant basis to get the funds started.

C. *The Employment Generation and Skills Training Component.* Target Group households' skills and knowledge shall be developed through:

- (i) Support for SHGs. The Programme shall (a) provide training to SHGs, and (b) provide start-up support (e.g., training, staff and overhead costs) to about 30 selected federations of SHGs or other types of apex organisations.
- (ii) Formation of Fish Marketing Societies. The formation and support of fish marketing societies shall allow fisherfolk to control the first point of sale of fish, allowing them to get a better price. To this end, the Programme shall support: (a) setting up of about 50 fish marketing societies, each with a membership of about 50-75 fisherfolk from among owners of small-scale and artisanal craft (e.g., *kattumarans* and *vallams*, motorised and non-motorised), and about three district-level federations to support the village-level societies; (b) the creation of basic infrastructure for the societies, such as a marketing shed, office equipment, fish crates, etc., and the establishment of boat and outboard motor repair centers; (c) the facilitation of formation of groups for approximately 6 000 crew as associate members of fish marketing societies; (d) the provision of technical and professional support (including training, provision of ice boxes, drying racks, etc.) to about 1000 women in society villages to improve their incomes through fish vending and processing; (e) provision of funds on a grant basis to a selected entity (a Partner Implementing Agency) for the formation of the fish marketing society, to finance loan redemptions through grants for fisherfolk who, because of indebtedness, are prevented from joining societies; and (f) strengthening of fish marketing societies through the provision of appropriate landing centre facilities (e.g., fish auction halls, sheds for net mending and repair, fish drying platforms, water, lighting, sanitation and waste disposal facilities).
- (iii) Micro-enterprise Development. The Programme shall seek to foster micro-enterprise development using a sub-sector business approach and thus build market linkages, through: (a) commissioning sub-sector surveys to identify potential sectors, and sub-sector/market studies to analyse market chains and identify opportunities; (b) providing training for entrepreneurs in such areas as business management, accounting, finance, marketing and technical subjects, which will be supplemented by visits to enterprises and support organisations within India and eventually hand-holding support visits once the enterprise is launched by the entrepreneur; (c) overseas training for selected entrepreneurs, international training and visits to distant markets; and (d) supporting innovative pilots related to new technologies.
- (iv) Vocational Training. The Programme shall fund training courses in new fields/sectors identified as being of interest to the Target Group (e.g., motor mechanics, welding, metal work) with local technical training institutes in conjunction with on-going entrepreneurial development training programmes. The Programme shall also organise workshops to bring together fisherfolk, technical experts and other resource persons, to discuss resource management and opportunities for better incomes and diversification within the sector, within an overall framework of responsible fisheries; based on the outcomes of the workshops, training courses shall be organised for upgrading skills and diversification, as appropriate. The Programme shall also support technology and skill exchange programmes.

D. *The Community-based Sea Safety and Disaster Management Component.* The development of larger enterprises and access to more distant markets shall be fostered through:

- (i) Sea Safety. On a pilot basis, the use of cellular phones and other communication technologies by fisherfolk shall be implemented and tested in one selected Programme District, and other forms of information distribution related to safety of fisherfolk at sea through this medium shall be explored.
- (ii) Support for Coastal Schools. The Programme shall organise a workshop at the State level, with the participation of resource persons involved in education and in coastal and fisheries management. The workshop shall discuss the development of appropriate resource materials and curriculum for use in schools in the coastal areas of the State, after which resource persons shall be contracted to develop materials. The Programme shall also support annual workshops with teachers from the selected cluster in each of the six Programme Districts, and workshops in approximately 100 coastal schools on an annual basis.

E. *The Programme Management Component.* The Programme shall support the establishment and operation of: a PMU, to be located in Chennai; a DIO at each Programme District; and CRCs.

SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

1. *Allocation of Loan Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan, 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 Expenditures to be Financed
I. Civil Works	1 730 000	75%
II. Funds for Programme Components specified in paragraphs 5.A.(i) and (ii) and B.(iv)(c) of Schedule 1	1 700 000	100% net of beneficiaries contributions
III. Funds for Programme Components specified in paragraphs 5.B.(i) and C.(ii)(e) of Schedule 1	460 000	100%
IV. Vehicles and Equipment	140 000	100% net of Taxes
V. Training, Workshops and Demonstrations	2 300 000	100%
VI. Contracted Service Providers	950 000	100%
VII. Technical Assistance, Studies, Reviews and Visits	360 000	100%
VIII. Incremental Operating Costs	1 340 000	75%
IX. Unallocated	970 000	
TOTAL	9 950 000	

2. *Eligible Expenditures.* Expenditures may be incurred under the Loan in accordance with Section 4.10 of the General Conditions.

3. *Statements of Expenditure.* Withdrawals from the Loan Account may be made against certified statements of expenditures in respect of Eligible Expenditures in such amounts as the Fund may designate from time to time by notice to the Borrower. The records evidencing such expenditures need not be submitted to the Fund, but shall be retained by the Lead Programme Agency 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.

4. *Conditions Precedent to Withdrawals – Overall Programme.* No withdrawals shall be made from the Loan until:

- (i) the Lead Programme Agency shall have appointed the Finance and Administration Manager in accordance with paragraph 5.1.1 of Schedule 3;
- (ii) the PMU shall have selected the 200 Programme Villages for Programme implementation in accordance with selection criteria approved by the Fund; and
- (iii) the Programme Implementation Manual shall have been approved by the Fund in draft; a copy of the Programme Implementation Manual as adopted by the PSC, substantially in the form so approved and certified as true and complete by a competent officer of the Lead Programme Agency, shall have been delivered to the Fund.

5. *Conditions Precedent to Withdrawals – VCF.* No withdrawals shall be made in respect of expenditures under the Venture Capital Fund (VCF) Component (paragraph 5.B.(i) of Schedule 1) until:

- (i) the Credit By-laws shall have been approved by the Fund in draft; a copy of the Credit By-laws as adopted by the PSC, substantially in the form so approved and certified as true and complete by a competent officer of the Lead Programme Agency, shall have been delivered to the Fund;
- (ii) the VCF Manager shall have been selected by the Lead Programme Agency under terms of reference approved by the Fund, and the agreement between the Lead Programme Agency and such VCF Manager (the “VCF Management Agreement”), acceptable to the Fund, shall have been duly entered into in accordance with paragraph 8.3 of Schedule 3, and a copy thereof shall have been provided to the Fund; and
- (iii) a model agreement to be entered into between with the VCF Manager and the recipient SHGs/fisherfolk’s societies, including those terms applicable to loan financing there from with respect to the near-equity financing, shall have been provided to and approved by the Fund for use under the Programme.

6. *Condition Precedent to Withdrawal – Programme Districts.* No withdrawals shall be made in respect of expenditures in a Programme District until the DIO shall have been duly established and staffed in such Programme District in accordance with paragraph 5.2 of Schedule 3.

7. *Condition Precedent to Withdrawal – Programme Villages.* No withdrawals shall be made in respect of expenditures in a cluster of Programme Villages until the CRC for such cluster shall have been duly established and staffed in such cluster of Programme Villages in accordance with paragraph 5.3 of Schedule 3.

SCHEDULE 3

Programme Implementation

A. ORGANISATION AND MANAGEMENT

1. Central Level

1.1. The Borrower, through the Planning Commission, shall provide overall coordination with respect to technical aspects of the Programme, while the Ministry of Finance shall be ultimately responsible for the Borrower's fiduciary obligations hereunder, and for the monitoring and review of the progress of the Programme.

2. The State

2.1. The State's Rural Development Department shall be the nodal department within the State with overall responsibility for the Programme. The Borrower, through the State, shall make the proceeds of the Loan available to the Lead Programme Agency, and the State, through the Rural Development Department, shall make directly available to the Lead Programme Agency the counterpart funds from its own resources as required by Section 3.05. The Borrower shall cause the State to enter into a Government Order/Memorandum of Understanding (TNCDW GO/MOU) with the Lead Programme Agency, as described in paragraph 3.3 below, and a Programme Agreement with the Fund. Although the Lead Programme Agency shall have implementation responsibility for the Programme, the State shall be responsible for overall coordination of the Programme.

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3. Lead Programme Agency

3.1. *Designation.* The TNCDW, in its capacity as Lead Programme Agency, shall have overall responsibility for the implementation of the Programme.

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3.2. *Responsibilities.* The Lead Programme Agency shall be responsible for, *inter alia*: hiring Programme-related core staff and evaluating the Programme's overall performance. In addition, the Lead Programme Agency shall prepare/update its financial and service (administrative, human resources) regulations and policies for Programme implementation, in consultation with the Fund. The financial regulations shall provide guidelines on: the operation of the Programme Account; the investment of surplus funds; procurement; and preparation of the budget and procedure for the release of funds to the Partner Implementing Agencies. The service regulations shall contain guidelines on salary and allowance of TNCDW Programme-related staff, method/manner of recruitment (consistent with this Agreement), medical facilities, leave and other service conditions.

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3.3. TNCDW Government Order/Memorandum of Understanding (TNCDW GO/MOU). The State and the Lead Programme Agency shall enter into a Government Order/Memorandum of Understanding (the "TNCDW GO/MOU"), which shall provide, among other things, that:

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(a) the State authorises the implementation of the Programme through TNCDW;

(b) the State shall transfer Loan proceeds and other resources to the Lead Programme Agency for the purposes of implementing the Programme as follows: the State, through the Rural Development Department, shall release Loan and other resources to TNCDW on the basis of the AWPBs quarterly in advance. The first advance shall be made to the Programme Account within 90 days after the Effective Date and shall cover the first three months of Programme operations in accordance with the AWPB, and the second and subsequent advances shall be made as replenishments to the Programme Account on a quarterly basis

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upon the submission by TNCDW to the State of a statement of expenditure relating to the previous advance wherein at least 60% of such previous advance shall be accounted for;

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- (c) surplus Programme funds received and invested by the Lead Programme Agency shall be made available to the exclusive use of the Programme;
- (d) the procedures to be utilised for, *inter alia*, procurement and recruitment, budget preparation, operation of the Programme Account, release/flow of funds, accounting, audit and reporting obligations; and
- (e) the Lead Programme Agency shall declare its commitment to the goal and purposes of the Programme as stated in Schedule 1 hereof and, in furtherance of such goals and purposes, the Lead Programme Agency shall undertake to carry out the Programme in accordance with this Agreement.

3.3.1. The State shall submit a draft of the TNCDW GO/MOU to the Fund and the Cooperating Institution for their respective comments and mutual acceptance thereof, by the Fund, the State and the Cooperating Institution before its signature.

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3.4. Board of Directors. The Board of Directors of the TNCDW shall be expanded to include other members nominated by the State. The additional members nominated by the State may include government officials, rural development specialists and representatives of civil society.

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4. Programme Coordination

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Coordination committees shall be established at all three tiers of Programme management (State, Programme District and cluster) to ensure, *inter alia*, coordination with the government and non-governmental sectors in the Programme Area.

4.1. Programme Steering Committee (PSC). The State shall establish a Programme steering committee (PSC) under the Chairmanship of the Secretary of the Rural Development Department. In addition to the Chairperson, the PSC shall consist of, *inter alia*, the following membership: one representative from the State's Department of Finance; one representative from the State's Relief Commissioner's Office; one representative from the State's Department of Animal Husbandry and Fisheries; one representative from the State's Department of Social Welfare; and the Collector from each Programme District. Additional members may be added or co-opted as needed, in consultation with the Fund. The Programme Director shall be the Secretary to the PSC. The PSC shall meet at least twice a year during the Programme Implementation Period and shall be the focal point for ensuring coordination amongst line departments and the Programme Parties/implementing agencies; the PSC shall also review the need for any policy dialogue or policy changes.

4.2. District-Level Implementation Advisory Committee (DLIAC). The Lead Programme Agency shall establish a District-Level Implementation Advisory Committee (DLIAC) within each Programme District within 180 days after the Effective Date. The DLIAC shall provide guidance to the respective District Implementation Office, performing a coordination role (with, e.g., various public and private institutions) and facilitating Programme implementation in the respective Programme District, and shall be chaired by the District Collector. The DLIAC shall be composed of, *inter alia*, the following members: a representative of the District Rural Development Agency (DRDA); one representative of the PRIs in the Programme District; one district-level officer from each line department (Programme Implementing Agencies or Contracted Service Providers) participating in the Programme; and representatives of Partner NGOs and CBOs participating in the Programme (Programme Implementing Agencies or Contracted Service Providers). The District Implementation Officer shall be the Secretary to the DLIAC; the DLIAC shall meet on a bi-annual basis.

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4.3. *Cluster Advisory Committee (CAC)*. The PMU shall establish a Cluster Advisory Committee (CAC) for each Cluster Resource Centre (see paragraph 5.3., below) within 180 days after the Effective Date; the CAC shall provide guidance to the respective CRC, performing a coordination role (with, e.g., various public and private institutions) and facilitating Programme implementation in the respective CRC's operational area. Each CAC shall consist of representatives of the PRIs, NGOs working in the area, traditional institutions, production societies and functioning SHGs; the Cluster Coordinator of the relevant Cluster Resource Centre shall be the member-Secretary of the CAC.

5. Programme Management and Implementation

5.1. *Programme Management Unit (PMU)*.

5.1.1. *Establishment and Composition*. The Lead Programme Agency shall establish a Programme management unit (PMU) within its headquarters in Chennai. The PMU shall be the central administrative unit of the Programme with the primary responsibility of ensuring flow of funds, financial management and Programme monitoring and evaluation; the PMU shall enjoy operational autonomy. The PMU shall be headed by a Project Director (PD), to be appointed by the State from among its cadre of civil servants. In addition to the PD, the PMU shall also consist of the following professional staff: a Finance and Administration Manager, who shall be experienced in government accounting and procurement procedures; a Monitoring and Evaluation Manager, who shall be responsible for an M&E Cell to be established within the PMU; a Livelihood and Micro-finance Manager; an Enterprise Development Manager; and a Communication and Information Technology Manager. The Lead Programme Agency shall be responsible for the appointment (with the exception of the PD), performance and management of PMU staff. All PMU staff, with the exception of the PD and any other PMU staff that may be deputed by the State, shall be recruited following an open, competitive and transparent recruitment procedure.

5.1.2. *Responsibilities*. The PMU shall coordinate all Programme activities and ensure flow of funds, financial management, and monitoring and evaluation support. Actual implementation of Programme activities shall be carried out by DIOs and the Cluster Resources Centres (see paragraphs 5.2 and 5.3, below) as well as by Partner Implementing Agencies (see paragraph 5.4 below). The PMU may also engage the services of specialist NGOs, facilitating agencies and other service providers to implement various activities related to enterprise development, resource management and infrastructure development (collectively, "Contracted Service Providers"). The PMU shall be responsible for ensuring adequacy of funds for the Programme; to this end, it shall consolidate and verify all statements of expenditures prepared and submitted at various levels by Programme Parties and seek reimbursement, through the PD, of the Programme Account.

5.2. District Implementation Office (DIO)

5.2.1. *Establishment and Composition*. The PMU shall establish a DIO in each Programme District; the DIO shall be headed by a District Implementation Officer (DIO), who shall be deputed by the State or recruited by the PMU following an open, competitive and transparent recruitment procedure. The DIO shall be supported by the following professional staff, who shall be deputed by the State or recruited in the same manner as the DIO: a Finance and Administration Officer, an Enterprise Development Officer, a Community Institutions Officer and a Monitoring and Evaluation Officer(s). DIO staff shall report to the DIO; in addition, in order to enhance the independence of the M&E Cell within the PMU (see paragraph 5.1, above), all district-level M&E Officers shall report to the M&E Manager of the PMU. The DIO shall be located within the TNCDW of the respective Programme Districts.

5.2.2. *Role and Responsibilities*. The DIO shall effectively be the implementation arm of the PMU. Among other things, the DIO shall: select Programme Villages in accordance with selection criteria approved by the Fund; engage service providers, NGOs and other partners for implementation of

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Programme activities (Partner Implementing Agencies, see paragraph 5.4., below); facilitate flow of funds to communities and Partner Implementing Agencies; provide technical backstopping and district-level coordination support to the Cluster Resource Centres; maintaining a management information system for the Programme's overall monitoring (as required under Article IV of this Agreement) for the Programme District's activities, and monitoring, reporting and evaluation of the Programme in the respective Programme District.

5.3. Cluster Resource Centres (CRCs)

5.3.1. *Establishment and Composition.* The DIO shall establish a Cluster Resource Centre (CRC) in consultation with the relevant PRIs, to cover the Programme needs of every 5-7 Programme Villages (a "cluster"). The CRC shall be the implementation arm of the Programme at the grassroots level to implement Programme activities in the villages under its jurisdiction, and shall be staffed by at least three core staff, to be headed by a Cluster Coordinator; the CRC staff may be engaged either directly by the TNCDW, or the entire function of the CRC may be contracted out by DIO to Partner Implementing Agencies.

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5.3.2. *Responsibilities.* The CRCs shall be responsible for, *inter alia*, the following: facilitating the communities to access various Programme activities; coordinating the field-level activities of the Partner Implementing Agencies; undertaking activities related to SHG development, micro-planning in the Programme villages; and maintaining a management information system for the Programme's overall monitoring (as required under Article IV) in the cluster, and, monitoring, reporting and evaluation of the Programme in the respective cluster.

5.4. Partner Implementing Agencies.

In addition to those activities implemented/facilitated by the CRCs and Contracted Service Providers (see paragraph 5.3., above), qualified service providers, including NGOs, *Panchayat*-level federations of SHGs and the entity to be utilised to form the fish marketing societies under the Employment Generation and Skills Training Component (paragraph 5.C(ii) of Schedule 1), shall be engaged under the Programme by the DIO to implement activities at the grassroots level related to, *inter alia*, capacity building of SHGs and their federations, skills training, promotion of production societies, resources planning and enterprise development ("Partner Implementing Agencies").

B. PROGRAMME IMPLEMENTATION MANUAL

6.1. *Preparation.* The PMU shall prepare a draft Programme Implementation Manual. The draft Programme Implementation Manual shall include, among other things:

- (i) selection criteria for the Programme Villages;
- (ii) criteria of the selection of eligible SHGs for employment and skills training activities under paragraph 5.C. of Schedule 1;
- (iii) modality and criteria for the selection of the entity for the formation of fish marketing societies under the Employment Generation and Skills Training Component (paragraph 5.C. of Schedule 1); and
- (iv) timeframe for the establishment of and guidelines for the VCF.

6.2. *Approval.* The PMU shall submit the draft Programme Implementation Manual to the PSC for approval. When so approved, the PMU shall forward the draft Programme Implementation Manual to the State, the Fund and the Cooperating Institution for their comments and acceptance.

6.3. *Adoption.* The PSC shall adopt the Programme Implementation Manual, in the form accepted in accordance with paragraph 6.2, and the PMU shall promptly provide copies thereof to the State, the Fund and the Cooperating Institution. If neither the Fund nor the Cooperating Institution comment on the draft Programme Implementation Manual within 30 days after their respective receipt thereof, it shall be deemed accepted by them.

C. IMPLEMENTATION ARRANGEMENTS

7. *Flow of Funds.* (a) The Lead Programme Agency shall release Programme funds (Loan, counterpart and other) to the DIOs in accordance with the AWPBs as follows: the first advance following the Effective Date shall cover the first three months estimated expenditures in the AWPB for Programme Year 1; thereafter, the DIOs shall submit statements of expenditure attesting to the utilisation of at least 60% of the previous advance and request reimbursement on a quarterly basis.

(b) The PMU shall directly contract and pay Contracted Service Providers contracted under the Programme at the State level. The DIOs shall be responsible for payments related to implementation by the CRCs and Partner Implementing Agencies at the District and cluster/village level.

8. The VCF Component

8.1. *Purpose.* The VCF shall support setting up of larger enterprises, which will provide forward and backward linkages for the micro-enterprises of the members of SHGs and fisherfolk's societies. The VCF shall supplement loans from banks and MFIs by providing quasi-equity and other finance.

8.2. *Operation.* The VCF shall be managed by a professional financial or business development service institution to be selected under the Programme following an open procurement exercise consistent with this Agreement. The terms of operation of the VCF shall be set forth in the VCF Management Agreement to be entered into between the Lead Programme Agency and the VCF Manager, which shall be acceptable to the Fund.

8.2.1. *Quasi-Equity Financing.* The VCF Manager shall enter into an agreement, based on a model acceptable to the Fund, with respect to the quasi-equity financing provided by it through the VCF to eligible enterprises in accordance with the Credit by-Laws (the "Enterprises Agreement"). The quasi-equity and other financing provided by the VCF to eligible enterprises shall remain with such enterprises for the maximum period to be specified in the VCF Management Agreement, after which the enterprises shall repay the principal loaned with interest thereon to the VCF.

8.3. *The VCF Management Agreement and Credit By-Laws.* The Lead Programme Agency and the VCF Manager shall enter into an agreement (the "VCF Management Agreement"), which shall include, among other things, the following information: modalities for the transfer of funds; the administrative fee, if any, to be paid to the VCF Manager; and the repayment and lending terms for the quasi-equity and other financing. Moreover, the VCF Manager shall declare its commitment to the goal and purposes of the Programme as stated in Schedule 1 hereof and, in furtherance of such goals and purposes, it shall undertake to carry out the VCF Component in accordance with this Agreement and the Credit-by-laws. The Lead Programme Agency shall submit a draft of the VCF Management Agreement to the Fund and the Cooperating Institution for their respective comments and approval before its signature.

8.3.1. Once selected, the VCF Manager shall establish and maintain a revolving fund whose operation and terms relating to the quasi-equity and other financing made available, directly or indirectly from the Loan proceeds to eligible beneficiaries, shall be laid out in the VCF Management Agreement.

8.3.2. The Lead Programme Agency shall prepare draft by-laws for the VCF Component. The Credit By-Laws shall include, among other things, the eligibility criteria for SHGs and fisherfolk's societies

and their members for accessing the services and benefits of the VCF. The PMU shall submit the draft Credit By-Laws to the PSC for approval. The Credit by-Laws shall form an integral part of the VCF Agreement.

9. Employment Generation and Skills Training Component (paragraph 5.C. of Schedule 1)

9.1. Fisherfolk eligible to participate in the formation of fish marketing societies shall be determined on the basis of the selection criteria of the entity selected to form the fish marketing society, to the extent they are consistent with the Fund's requirements and encompass the Target Group.

10. Selection of Programme Villages

10.1. In evaluating which villages in the Programme Area shall be selected for Programme intervention, and without prejudice to the criteria to be set forth in the Programme Implementation Manual, the following considerations shall be applied by the Lead Programme Agency: (i) existing development activities (so as to avoid overlap); (ii) presence of significant numbers of poorer target group households (female-headed households; Scheduled Castes; Scheduled Tribes; fisherfolk in backwaters and those using non-motorised *kattumarans*; small-scale women fish vendors and processors; small and marginal farmers (including salinity-affected farmers); landless labourers; and other marginalised occupational groups); and (iii) potential to establish Fish Marketing Societies and to support SHGs.

SCHEDULE 3A

Additional Covenants

1. *Pest Management Practices.* As part of maintaining sound environmental practices as required by Section 7.15 of the General Conditions, the Programme Parties shall maintain appropriate pest management practices under the Programme and, to that end, the Borrower, through the State, shall ensure that pesticides procured under the Programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organisation of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the WHO Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time.

2. *Monitoring.* (a) The Lead Programme Agency shall establish an independent monitoring and evaluation (M&E) Cell/unit within the PMU. The M&E/Cell shall be headed by the M&E Manager and shall have six M&E Officers, one based in each DIO, plus a Manager-Communication and Information technology.

(b) M&E activities shall include: activity reporting, by which all Programme Parties shall report on a monthly basis on the activities undertaken, and the information shall be stored in the Programme's Management Information System (MIS); progress monitoring, by which the M&E Officer shall make regular visits to a sample of beneficiary groups to obtain feedback from participating communities on Programme outputs, which data shall be stored in the MIS; and impact monitoring, by which information on indicators of Programme objectives, including those indicators required under the Fund's Results Impact Monitoring Systems (RIMS), shall be gathered. The Borrower shall ensure that the RIMS indicators, required by the Fund, shall be incorporated in and form part of the Programme's monitoring system.

3. *Gender Focus.* The Programme's targeting approach shall ensure equitable Programme benefits for females. Each Programme Party shall ensure that women participate fully in the community resources planning process under the Coastal Area Resource Management Component (paragraph 5.A.(i) of Schedule 1).

4. *Counterpart Funds.* The State shall release the first advance of counterpart funds from its own resources to the Lead Programme Agency in accordance with Section 3.05(b) within 90 days after the Effective Date.

5. *Reporting – Physical and Financial.* Each Programme Party shall prepare and submit quarterly physical and financial progress reports to the PMU, based on reporting formats developed and communicated by the PMU to all Programme Parties. Among other things, the reports shall track financial progress of the Programme implemented by each such Programme Party against the AWPB for the relevant period. Each Programme Party shall submit its quarterly report to the PMU no later than two months after the end of each quarter during the Programme Implementation Period. The PMU shall base its six-monthly and annual reporting obligations to the Fund, on such quarterly reports.

6. *Development of Fisheries Infrastructure/Basic Facilities.* The Borrower and/or State shall ensure that development of fisheries infrastructure/basic facilities under the Programme shall only be undertaken after a clear structure and responsibilities thereunder have been put in place for the maintenance and management of such facilities.

SCHEDULE 4

Procurement

PART A. GENERAL

1. Procurement of goods and civil works financed by the Loan shall be subject to the provisions of the “Guidelines for Procurement under Financial Assistance from the International Fund for Agricultural Development (1982), as such guidelines, including procedures thereunder, may be amended from time to time by the Fund (hereinafter called “the Procurement Guidelines”). If any provision of the Procurement Guidelines is inconsistent with a provision of this Schedule, then the latter shall govern.
2. Procurement of consultant services financed from the proceeds of the Loan shall be undertaken in accordance with guidelines, including procedures thereunder, approved by the Fund.
3. To the extent possible, the goods, civil works and services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding. Before the commencement of procurement, the Lead Programme Agency shall furnish to the Cooperating Institution, for approval, (i) a list or lists of goods and services to be procured, (ii) the proposed grouping of these goods and services, and (iii) the proposed number and scope of civil works contracts to be awarded.
4. Procurement shall be undertaken only during the Programme Implementation Period.
5. No procurement shall be undertaken if it entails a payment to persons or entities, or an import of goods, prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. The Fund shall inform the State of any such persons, entities or import.
6. The threshold amounts specified in this Schedule 4 exclude Taxes.

PART B. PROCUREMENT OF GOODS

7. *Local Competitive Bidding (LCB)*. Each contract for the supply of (i) vehicles and office equipment, and (ii) other goods estimated to cost USD 25 000 equivalent or more, shall be awarded on the basis of competitive bidding advertised locally.
8. *Local Shopping*. Each contract for the supply of goods, with the exception of those specified in paragraph 7, part (i), above, estimated to cost USD 10 000 or more but less than USD 25 000 equivalent, shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers.
9. *Direct Contracting*. Each contract for the supply of goods, with the exception of those specified in paragraph 7, part (i), above, estimated to cost less than USD 10 000 equivalent, may be awarded through direct contracting with the contractor or supplier on terms and conditions approved by the Cooperating Institution.

PART C. PROCUREMENT OF CIVIL WORKS

10. *Local Competitive Bidding (LCB)*. Each contract for the supply of civil works (i) relative to fisheries infrastructure; and (ii) other civil works estimated to cost USD 35 000 equivalent or more, shall be awarded on the basis of competitive bidding advertised locally.
11. *Local Shopping*. Each contract for the supply of civil works, with the exception of those related to fisheries infrastructure, as specified in paragraph 10, part (i), above, estimated to cost USD 10 000 or more but less than USD 35 000 equivalent, shall be awarded on the basis of evaluating and comparing bids invited from at least three contractors.

12. *Direct Contracting*. Each contract for the supply of civil works, with the exception of those related to fisheries infrastructure as specified in paragraph 10, part (i), above, estimated to cost less than USD 10 000 equivalent, may be awarded through direct contracting with the contractor on terms and conditions approved by the Cooperating Institution.

PART D. PROCUREMENT OF CONSULTANT SERVICES

13. *Local Competitive Bidding (LCB)*. Each contract for consultant services estimated to cost USD 25 000 equivalent or more, shall be awarded on the basis of competitive bidding advertised locally.

14. *Local Shopping*. Each contract for consultant services estimated to cost USD 10 000 or more but less than USD 25 000 equivalent, shall be awarded on the basis of evaluating and comparing bids invited from at least three consultants.

15. *Direct Contracting*. Each contract for consultant services estimated to cost less than USD 10 000 equivalent, may be awarded through direct contracting with the consultant, on terms and conditions approved by the Cooperating Institution.

PART E. PREFERENCE REQUIREMENTS

16. *Procurement of Services*. In the procurement of consultant services, everything being equal, preference shall be given to consultants from developing Member States of the Fund.

PART F. REVIEW OF PROCUREMENT DECISIONS

17. The award of any contract for goods or civil works estimated to cost USD 50 000 equivalent or more shall be subject to prior review by the Cooperating Institution in accordance with the provisions of the Procurement Guidelines.

18. The award of any contract for consultant services estimated to cost USD 50 000 equivalent or more shall be subject to such review procedures as the Cooperating Institution customarily employs for such contracts in similar projects/programmes.

19. With respect to any other contract for goods, civil works or consultant services (except where paragraph 3 of Schedule 2 applies thereto), the Borrower shall ensure that the State, through the Lead Programme Agency, shall furnish two certified or conformed copies of such contract to the Cooperating Institution, together with the analysis of the respective bids and the recommendations for award, promptly after its signature and before the submission to the Cooperating Institution of the first application for withdrawal of funds from the Loan Account in respect of such contract.

20. Before agreeing to any material modification or waiver of the terms and conditions of any contract referred to in paragraphs 17 or 18 above, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) that would increase the cost of the contract by more than 10% of the original price, the Lead Programme Agency shall inform the Cooperating Institution of the proposed modification, waiver, extension or change order and the reasons therefor. The Cooperating Institution, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and the State, and state the reasons for its determination.

[*Annex General Conditions*]