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Report No: RES21647

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

TELANGANA RURAL INCLUSIVE GROWTH PROJECT

CR. 5573-IN

December 19, 2014

TO

THE REPUBLIC OF INDIA

December 14, 2015

AGRICULTURE GLOBAL PRACTICE
SOUTH ASIA REGION

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
DEA	Department of Economic Affairs
IDA	International Development Association
LIBOR	London Inter-Bank Offered Rate
PDO	Project Development Objective
SDR	Special Drawing Rights
SERP	Society for Elimination of Rural Poverty

DATA SHEET*India**Telangana Rural Inclusive Growth Project (P143608)**SOUTH ASIA**Agriculture*

Report No: RES21647

Basic Information									
Project ID:	P143608			Lending Instrument:	Specific Investment Loan				
Regional Vice President:	Annette Dixon			Original EA Category:	Partial Assessment (B)				
Country Director:	Onno Ruhl			Current EA Category:	Partial Assessment (B)				
Senior Global Practice Director:	Juergen Voegele			Original Approval Date:	19-Dec-2014				
Practice Manager/Manager:	Shobha Shetty			Current Closing Date:	30-Jun-2020				
Team Leader(s):	Parmesh Shah,Robert S. Chase,Vinay Kumar Vutukuru								
Borrower:	Department of Economic Affairs, Ministry of Finance, Government of India								
Responsible Agency:	Society for Elimination of Rural Poverty (SERP), Government of Telangana								
Restructuring Type									
Form Type:	Full Restructuring Paper			Decision Authority:	Board				
Restructuring Level:	Level 1								
Financing (as of 21-Dec-2014)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P143608	IDA-55730	Not Effective	19-Dec-2014			30-Jun-2020	30-Jun-2020		
Disbursements (in Millions)									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P143608	IDA-55730	Not Effective	XDR	50.80	50.80	0.00	0.00	50.80	

Policy Waivers		
Does the project depart from the CAS/CPF in content or in other significant respects?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Does the project require any policy waiver(s)?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
A. Summary of Proposed Changes		
Change in Implementing Agency	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change to Financing Plan	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Change in Implementation Schedule	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Other Change(s)	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]
Appraisal Summary Change in Economic and Financial Analysis	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Appraisal Summary Change in Technical Analysis	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Appraisal Summary Change in Social Analysis	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Appraisal Summary Change in Environmental Analysis	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Appraisal Summary Change in Risk Assessment	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
B. Project Status		
<p>The Telangana Rural Inclusive Growth Project (the "Project") was approved by the Executive Directors on December 19, 2014. Subsequently, on April 22, 2015, the Executive Directors approved the Extension of the IDA Single-Currency Lending Pilot Program (IDA/R2015-0085) (the "Extension"). The Financing Agreement for the Project has not yet been signed and India has requested that the financial terms provided in the Extension be made available for the Project. Since the Extension did not specifically make</p>		

such financial terms applicable to previously approved projects, the approval of the Executive Directors is being sought through this Restructuring Paper to apply such financial terms to the Project.

C. Proposed Changes

Development Objectives/Results

Project Development Objectives

Original PDO

The PDO is to enable selected poor households to enhance agricultural incomes and secure increased access to human development services and social entitlements.

Change in Project's Development Objectives

Financing

Disbursement Estimates

Change in Disbursement Estimates

Explanation:

Changes in the disbursement estimates made (since the Board approval on December 19, 2014) to account for the fact the project signing has been delayed because of the change in IDA terms.

Fiscal Year	Original (USD Million)	Proposed (USD Million)
2015	5.00	0.00
2016	10.00	10.00
2017	20.00	25.00
2018	20.00	20.00
2019	15.00	15.00
2020	5.00	5.00
Total	75.00	75.00

Other Change(s)

Other Change(s)

Explanation:

The main change being proposed is to the financial terms, specifically to make available the terms provided for in the Extension of the IDA Single-Currency Lending Pilot Program (IDA/R2015-0085). The changes would be reflected in the Financing Agreement as follows:

- 1) Article II of the Financing Agreement: Change in currency denomination to dollar and revision of financing amount (USD75 million), deletion of service charge, incorporation of variable interest rate (i.e. LIBOR + fixed spread)
- 2) Section IV of the Schedule 2 to the Financing Agreement: Revision of disbursement table to change currency denomination and adjust amounts accordingly. Same adjustment to retroactive financing.

- 3) Section I to the Appendix to the Financing Agreement (Definitions): Incorporating definitions necessitated by the new financial terms (i.e. definition for “Credit Currency”, “Financial Center”, “Fixed Spread”, “Interest Period”, “LIBOR”, “Reference Rate”, “Reference Rate Reset Date”, and “Relevant Rate Page”).
- 4) Section II to the Appendix to the Financing Agreement (Adjustments to the Applicable General Conditions): Incorporating revisions to the General Conditions necessitated by the variable interest rate option (e.g. deletion of reference to “service charge”, inclusion of prepayment premia for swap cancellation, etc.).

INDIA: TELANGANA RURAL INCLUSIVE GROWTH PROJECT
CR 5573 IN

Restructuring Paper

1. **Background:** The Project was approved by the World Bank Board on December 19, 2014. Subsequently, on April 22, 2015, the Executive Directors approved the Extension of the IDA Single-Currency Lending Pilot Program (IDA/R2015-0085) (the "Extension") with additional flexibility afforded to transitional support window borrowers with respect to interest rate and currency terms. The Financing Agreement for the Project has not yet been signed. Government of India has requested that the financial terms offered in the extension be made available for the Project. Since the Extension did not specifically make such financial terms applicable to previously approved projects, approval of the Executive Directors is being sought through this Restructuring Paper to apply such financial terms to the Project. It is pertinent to mention here that a similar Restructuring Paper for the sister project, India: Andhra Pradesh Rural Inclusive Growth Project, was approved by the Board on September 22, 2015 on AoB.

2. Since the approval of the Project, the implementing agency, SERP, Telangana has completed several key actions. Pilots on all the components of the project have been initiated across nearly 69 mandals out of the 150 targeted mandals of the project. The learnings from the pilot will be incorporated into the overall roll out of the project. However, the signing has not taken place because of the revision in the financing terms as explained in the section above.

3. **Summary of the Changes:** The main change being proposed is to the financial terms, specifically to make available the terms provided for in the Extension. The change would be reflected in the Financing Agreement as follows:

- Article II of the Financing Agreement: Change in currency denomination to US Dollar and revision of financing amount (USD75 million), deletion of service charge, incorporation of floating interest rate (i.e. LIBOR + fixed spread);
- Section IV of the Schedule 2 to the Financing Agreement: Revision of disbursement table to change currency denomination and adjust amounts accordingly. Same adjustment to retroactive financing;
- Section I to the Appendix to the Financing Agreement (Definitions): Incorporating definitions necessitated by the new financial terms (i.e. definition for "Credit Currency", "Financial Center", "Fixed Spread", "Interest Period", "LIBOR", "Reference Rate", "Reference Rate Reset Date", and "Relevant Rate Page");
- Section II to the Appendix to the Financing Agreement (Adjustments to the Applicable General Conditions): Incorporating revisions to the General Conditions necessitated by the variable interest rate option (e.g. deletion of reference to "service charge", inclusion of prepayment premia for swap cancellation, etc.).

4. Disbursement estimates have been updated to take into account the delay in signing of the Financing Agreement.

5. This will be the first restructuring for the project (Cr. 5573).
