

CONFORMED COPY

CREDIT NUMBER 3749 IN

Development Credit Agreement

(Chhattisgarh District Rural Poverty Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 18, 2003



CREDIT NUMBER 3749 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 18, 2003, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association);

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project, described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by the State of Chhattisgarh (Chhattisgarh) with the Borrower's assistance, as part of such assistance, the Borrower will make available to Chhattisgarh the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Chhattisgarh (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through October 6, 1999, (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement and in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Beneficiary Institutions" means the Common Interest Groups and the Gram Panchayats (as each is hereinafter defined), and the term "Beneficiary Institution" means any of those institutions;

(b) "Category" means a category of items set forth in the table in paragraph A.1 of Schedule 1 to this Agreement;

(c) “Common Interest Groups” (CIGs) means a group of economically disadvantaged individuals in Chhattisgarh who agree to organize themselves as a group for common socio-economic and productive activities;

(d) “Chhattisgarh” means the Borrower’s state of Chhattisgarh, or any successor thereto;

(e) “Eligible Categories” means categories (1), (2), (3), (4), (5), (6) and (7) set forth in the table in paragraph A.1 of Schedule 1 to this Agreement;

(f) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(g) “Environmental Management Framework” means the framework described in the Environmental Assessment Report prepared by Chhattisgarh, dated January 27, 2003, setting out measures to mitigate the Project’s possible adverse impact on the environment, and including process guidelines for the management of environmental aspects under the Project and which include mitigation measures as may be required;

(h) “Fiscal Year” means the Borrower and Chhattisgarh’s fiscal year, beginning on April 1 of a calendar year and ending on March 31 of the following calendar year;

(i) “Financial Monitoring Report” means each Financial Monitoring Report prepared by Chhattisgarh in accordance with Section 3.02 of the Project Agreement;

(j) “Gram Panchayats” means local self government bodies established under the Chhattisgarh Panchayati Raj Act, 1993;

(k) “Line Departments” means the departments of the Government of Chhattisgarh;

(l) “NGOs” means non-governmental organizations established and operating in the territory of the Borrower;

(m) “Operations Manual” means the Operations Manual prepared by Chhattisgarh and furnished to the Association on January 22, 2003, as may be amended from time to time by agreement between the Association and Chhattisgarh, outlining, *inter alia*, community level institutional arrangements, procedures and criteria for selection, appraisal and implementation of Sub-projects (as hereinafter defined);

(n) "Project Agreement" means the agreement between the Association and Chhattisgarh of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(o) "Project Implementation Plan" means the implementation plan prepared by Chhattisgarh for the Project and furnished to the Association on January 22, 2003, including time-bound action plans, procedures and criteria agreed with the Association;

(p) "Report-based Disbursements" means the Borrower's option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(q) "Self help groups" means Common Interest Groups which in lieu of, or in addition to, carrying out Sub-projects, engage in thrift and credit activities or other common activities;

(r) "SPU" means the State Project Unit established for monitoring and assisting in carrying out the Project;

(s) "State Finance Commission" means the commission constituted by Chhattisgarh to, *inter alia*, review and advise on the matter of devolution of funds to Gram Panchayats and Zilla Panchayat (as hereinafter defined);

(t) "Sub-Project" means a specific project under Part B of the Project which meets the criteria set forth in the Operations Manual and the Project Implementation Plan;

(u) "Sub-Project Agreement" means the agreement to be entered into between Zilla Panchayat of the District and a Beneficiary Institution for carrying out a Sub-Project;

(v) "Tribal Development Strategy" means the Strategy dated January 13, 2003 prepared by Chhattisgarh in consultation with the local communities in the Project area to ensure that the tribal population in Chhattisgarh benefit from the activities implemented under the Project and furnished to the Association;

(w) "Village Fund" means a fund held by the appropriate Gram Panchayat and made up from cash contributions made by Common Interest Groups being at a rate set forth in the Operational Manual; and

(x) "Zilla Panchayat" means a District level self government body as established under the Panchayati Raj Act of 1993.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighty-two million two hundred thousand Special Drawing Rights (SDR 82,200,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be March 31, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15, and October 15, commencing October 15, 2013 and ending April 15, 2038. Each installment to and including the installment payable on April 15, 2023 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Chhattisgarh to perform in accordance with the provisions of the Project Agreement all the obligations of Chhattisgarh as therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Chhattisgarh to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Chhattisgarh in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by Chhattisgarh pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were Report-based Disbursements or were made on the basis of Statements of Expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures be retained until at least one (1) year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and
 - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
 - (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such Fiscal Year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Statements of Expenditure or the reports referred to in Part A.5 of Schedule 1 to this Agreement, submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

- (a) Chhattisgarh shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Chhattisgarh will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions to be included in the opinion or opinions to be furnished to the Association namely, that the Project Agreement has been duly authorized or ratified by Chhattisgarh and is legally binding upon Chhattisgarh in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, and Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower are each designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, PIN 110001
India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-3166175	011-23017511

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 522-1709

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INDIA

By /s/ B.P. Misra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Carter

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Part B of the Project		
(a) Sub-projects under Part B (1) of the Project	68,100,000	95%
(b) Sub-projects under Part B (2) of the Project	700,000	95%
(2) Goods, including equipment, materials and vehicles (excluding Part B of the Project)	1,500,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 80% of local expenditures for other items procured locally
(3) NGOs' services and CBO education/research institutions consultancies	800,000	100%
(4) Training, work-shops and study tours	5,800,000	100%
(5) Other Consultancies	600,000	80%
(6) Civil Works (excluding Part B of the Project)	600,000	80%

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR equivalent)</u>	<u>% of Expenditures to be Financed</u>
(7) Incremental operating costs	4,000,000	80% until September 30, 2004; costs 60% from October 1, 2004 until September 30, 2006; and 40% thereafter
(8) Unallocated	100,000	
TOTAL	<u>82,200,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “incremental operating costs” means the costs of operation and maintenance of equipment and vehicles, office rental and expenses, hiring of vehicles, salaries of additional staff and travel and other allowances of all project staff, incurred for the purposes of carrying out the Project; and

(d) the term “NGO services and CBO education/research institutions consultancies” means services to be provided by CBOs/NGOs and education/research institutions which are tax exempt under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding \$1,000,000 may be made on account of payments made for expenditures before that date and after July 1, 2002; and

- (b) in respect of a Sub-project unless the Sub-project has been prepared in accordance with the procedures set forth in the Operational Manual and Environmental Management Framework and a Sub-project Agreement, satisfactory in substance to the Association, between the relevant parties has been entered into for the carrying out of such Sub-project.

4. The Association may require withdrawal from the Credit Account to be made on the basis of statements of expenditures for expenditures for: (i) Sub-projects under Part B of the Project; (ii) goods not exceeding \$250,000 equivalent; (iii) civil works not exceeding \$200,000 equivalent; (iv) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 for employment of individual consultants, respectively; (v) training, workshops and study tours; and (vi) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the Financial Monitoring Report and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit, or shall cause Chhattisgarh to submit, to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

- (a) until the Association shall have received: (i) the first Financial Monitoring Report referred to in Section 3.02 (b) of the Project Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

- (b) upon receipt by the Association of a Financial Monitoring Report pursuant to Section 3.02 (b) of the Project Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, all further

withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into

the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A
to
SCHEDULE 1
Operation of Special Account when Withdrawals are not
made on the Basis of Report Based Disbursements

1. For the purposes of this Annex the term “Authorized Allocation” means an amount of \$10,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of \$5,000,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed SDR 25,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be

made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B
to
SCHEDULE 1
Operation of Special Account when Withdrawals are
made on Report-Based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist Chhattisgarh in improving opportunities for the poor and the economically vulnerable in the State, specially women and tribal people, to meet their own social and economic development objectives through: (i) establishing/ strengthening Beneficiary Institutions that empower poor rural people; (ii) building capacity of Beneficiary Institutions; and (iii) supporting investments in small Sub-projects proposed by the poor to accelerate entry and expand involvement of the poor in social and economic activities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A: Institutional and Human Capacity Building

1. Formation and strengthening of Common Interest Groups, including Self-help groups, and their support organizations, and provision of consultants' services, including NGOs' services, training and the carrying out of start-up activities related thereto.
2. Carrying out of information campaigns on socio-economic issues relevant to the rural poor.
3. Building capacity of Common Interest Groups and Gram Panchayats for planning, financial management and implementation of the Sub-projects and other matters related to village development through the provision of consultants' services, including NGOs' services, training, works and equipment, and the carrying out of works.
4. Reorientation/training of the staff of Line Departments seconded to the Project, financial institutions and Zilla Panchayats to the needs of the rural poor, including technical support for implementation of the Sub-projects through provision of consultants' services, NGOs' services and training.
5. Strengthening of SPU, Gram Panchayats, carrying out of civil works for panchayat bhawans and Zilla Panchayats, and provision of office equipment, vehicles, consultants' services and incremental operating costs.
6. Carrying out of monitoring and evaluation activities in respect of the implementation of the Project, including baseline surveys and impact assessments, and developing learning systems for the Project.

7. Supporting the State Finance Commission activities related to formulation of principles for devolution of funds to Gram Panchayats and Zilla Panchayat through training, seminars, workshops and provision of consultants' services.

Part B: Community Investments

1. Carrying out of the Sub-projects by Beneficiary Institutions covering activities in the social, economic and infrastructure areas including: (i) group based income generating activities; (ii) infrastructure investments; and (iii) skills and organization.
2. Carrying out of small Sub-projects to demonstrate new techniques and options for livelihood improvement.
3. Setting up Village Funds funded by community cash contributions to finance operation and maintenance and other village development needs.

The Project is expected to be completed by September 30, 2008.