

CONFORMED COPY

CREDIT NUMBER 2470 IN (Amendment)

Andhra Pradesh Agreement

(Second Integrated Child Development Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ANDHRA PRADESH

Dated September 29, 2000

CREDIT NUMBER 2470 IN (Amendment)

ANDHRA PRADESH AGREEMENT

AGREEMENT, dated September 29, 2000, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATE OF ANDHRA PRADESH, acting by its Governor (Andhra Pradesh).

WHEREAS (A) by the Development Credit Agreement dated March 23, 1993 (the Development Credit Agreement) between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred forty-one million six hundred thousand Special Drawing Rights (SDR 141,600,000) (the Credit) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) by the Project Agreement dated March 23, 1993 (the Project Agreement) between the Association and the States of Bihar and Madhya Pradesh (the Project States), the Project States have agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) project cost savings have arisen under the Project due to, inter alia, foreign exchange rate changes;

(D) the Borrower has requested the Association to agree to use these project cost savings under the Project to finance, inter alia, the costs of carrying out part of the ICDS (as defined in the Development Credit Agreement) activities currently included in the Andhra Pradesh Economic Restructuring Project (Cr. No. 3103-IN/Ln. No. 4360-IN) (APERP) financed by the Association and the International Bank for

Reconstruction and Development (the Bank) and carried out by Andhra Pradesh, and the Association, after due consideration, has agreed to this request, but only on condition that (i) the Borrower agree to undertake certain additional obligations toward the Association and (ii) Andhra Pradesh agree to undertake certain obligations toward the Association; and

WHEREAS Andhra Pradesh, in consideration of the Association's agreement to finance the costs of carrying out part of the ICDS activities currently included in APERP, has agreed to undertake those obligations toward the Association and, to this end, to enter into this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined in the Development Credit Agreement) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Andhra Pradesh declares its commitment to the objective of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out, and cause its relevant departments to carry out, Part H of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Andhra Pradesh shall otherwise agree, Andhra Pradesh shall carry out Part H of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part H of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Andhra Pradesh shall carry out 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 this Agreement and Part H of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitations thereto, Andhra Pradesh shall prepare and furnish to the Association, not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Andhra Pradesh, a plan satisfactory to the Association for the future operation of Part H of the Project.

Section 2.04. (a) Andhra Pradesh shall, at the request of the Association, exchange views with the Association with regard to the progress of Part H of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Andhra Pradesh shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part H of the Project, the accomplishment of the purposes of the Credit, or the performance by Andhra Pradesh of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Andhra Pradesh shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part H of the Project of the departments or agencies of Andhra Pradesh responsible for carrying out Part H of the Project.

(b) Andhra Pradesh shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 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 months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 3.02. Andhra Pradesh shall, with the assistance of financial management consultants selected in accordance with the provisions of Section II of Schedule 1 to this Agreement, prepare, not later than December 31, 2000, a computerized system for, inter alia, accounting, auditing and internal financial control practices (including recording of procurement practices) for the Project acceptable to the Association, and shall thereafter commence a financial management training program for all the entities participating in the implementation of the Project.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Agreement Amending Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Andhra Pradesh thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Andhra Pradesh of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such

request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

For Andhra Pradesh:

Chief Secretary
Government of Andhra Pradesh
Hyderabad, India

Facsimile:

91-40-233700

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Andhra Pradesh may be taken or executed by its Chief Secretary or such other person or persons as Andhra Pradesh shall designate in writing, and Andhra Pradesh shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

STATE OF ANDHRA PRADESH

By /s/ Shalini Misra

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and in September 1997 (the

Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

To the extent practicable, contracts for the purchase of goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Equipment, medicines, materials and supplies estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$7,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Except as provided in paragraph 4 of this Part, civil works shall be procured under contracts awarded in accordance with the provisions of paragraph 3.3 and 3.4 of the Guidelines.

2. National Shopping

Equipment, furniture, medicines, books, materials and supplies estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$3,800,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Books, equipment, software, medicines and materials estimated to cost up to an aggregate amount not to exceed \$300,000 equivalent may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement of Small Works

Civil works estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount not to exceed \$16,700,000 equivalent, may be carried out either:

(a) under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or

(b) through direct contracting with NGOs or local participatory groups, in accordance with paragraph 3.7 of the Guidelines and procedures satisfactory to the Association; or

(c) through force account, as a last resort in accordance with paragraph 3.8 of the Guidelines and procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more and each contract for works estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 2.13 through 2.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for technical assistance or training under the Project estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for software development and training shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services for baseline surveys and pilot study on community supported nutrition program estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for training may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines, subject to the requirement that any contract for goods, forming part of such research contract, and estimated to cost more than \$20,000 equivalent, shall be procured in accordance with the provisions of paragraphs 3.5 and 3.6 of the Procurement Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. Andhra Pradesh shall carry out Part H of the Project in accordance with the Plan for Introduction of Services for ICDS as set out in the Andhra Pradesh Project Implementation Plan.

2. Andhra Pradesh shall:

(a) maintain a Project Management Unit for Part H of the Project with functions, powers, organizational structure and resources satisfactory to the Association; and

(b) by September 30, 2002, provide to the Association a plan satisfactory to

the Association for the future operation and sustainability of the functions and activities undertaken under Part H of the Project.

3. Andhra Pradesh shall provide training to all newly recruited field-level functionaries of ICDS within one year of their recruitment.

4. Andhra Pradesh shall carry out an assessment of stakeholders participation in ICDS activities at least once every year through participatory rapid appraisal techniques and implement the results thereof in a timely manner.

5. Andhra Pradesh shall:

(a) by December 31 of each year during the implementation of Part H of the Project review with the Association the progress achieved in implementing Part H of the Project during that year;

(b) by January 31 of each year provide to the Association an annual work plan, acceptable to the Association, setting forth the activities under Part H of the Project to be carried out during the following Fiscal Year;

(c) implement each annual work plan in a manner satisfactory to the Association; and

(d) implement Part H of the Project until the formulation of the first annual work plan in accordance with the interim plan agreed to with the Association.

6. Andhra Pradesh shall implement Part H of the Project in tribal areas (as designated by Andhra Pradesh) in accordance with the strategy for strengthening ICDS among tribal populations as set out in the Andhra Pradesh Project Implementation Plan.

7. Andhra Pradesh shall, in each Fiscal Year provide the full food requirements of ICDS in Andhra Pradesh in accordance with supplementary feeding norms of the Borrower established for ICDS.

8. Andhra Pradesh shall:

(a) without limitation to Section 9.09 of the General Conditions, make available adequate land that may be required for new construction under Part H of the Project sufficiently in advance of commencing such construction activities in order to ensure timely implementation thereof;

(b) to the extent practicable, and subject to subparagraph (c) of this paragraph, make such land available that is owned by it and is free from encumbrances and encroachments or obtain such land on a voluntary basis in accordance with procedures satisfactory to the Association; and

(c) ensure that no involuntary resettlement arises from any use of land, or change of land use for Part H of the Project, except to the extent that the Association agrees in writing prior to any such proposed land use that arrangements for involuntary resettlement, if any, are satisfactory to the Association.

9. Andhra Pradesh shall carry out and shall cause its relevant departments, services and units to carry out Part H of the Project in accordance with the Andhra Pradesh Project Implementation Plan.

10. Andhra Pradesh shall establish, maintain and implement a system, satisfactory to the Association, for channeling funds required for the Project to the entities responsible for implementation.

11. Andhra Pradesh shall maintain the Procurement Steering Committee established for, inter alia, Part H of the Project with functions, powers, staff and resources satisfactory to the Association for the purpose of reviewing and selecting bids submitted under international competitive bidding procedures and national competitive bidding procedures under Schedule 1 of this Agreement.

12. Andhra Pradesh shall appoint by March 31, 2000 a financial controller with

skills, experience and qualifications and terms of reference satisfactory to the Association.

13. Andhra Pradesh shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of Part H of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than June 30, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph on the progress achieved in the carrying out of Part H of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part H of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 30, 2001 or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and thereafter, take all measures required to ensure the efficient completion of Part H of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

