

CONFORMED COPY

CREDIT NUMBER 3430 IN

Project Agreement

(Madhya Pradesh District Poverty Initiatives Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF MADHYA PRADESH

and

MADHYA PRADESH SOCIETY FOR POVERTY ALLEVIATION INITIATIVES

Dated December 5, 2000

CREDIT NUMBER 3430 IN

PROJECT AGREEMENT

AGREEMENT, dated December 5, 2000, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), STATE OF MADHYA PRADESH (Madhya Pradesh), acting by its Governor, and MADHYA PRADESH SOCIETY FOR POVERTY ALLEVIATION INITIATIVES (MPSPAI).

WHEREAS by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eighty-four million two hundred thousand Special Drawing Rights (SDR 84,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Madhya Pradesh and MPSPAI agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement and in this Agreement;

WHEREAS Madhya Pradesh and MPSPAI, in consideration of the Association's entering into the Development Credit Agreement with the Borrower have agreed to undertake the obligations set forth in 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 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) Madhya Pradesh and MPSPAI declare their 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 the Project through SPU and DPUs with due diligence and efficiency and in conformity with appropriate administrative, financial technical and environmental 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 shall otherwise agree, Madhya Pradesh and MPSPAI shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, the Project Implementation Plan and the MOU.

(c) Madhya Pradesh shall make available: (i) to MPSPAI as a grant and in a timely manner, the proceeds of the Credit made available to Madhya Pradesh by the Borrower; and (ii) such additional assistance, as may be required, by MPSPAI for carrying out the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' 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 this Agreement.

Section 2.03. (a) Madhya Pradesh and MPSPAI 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 the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions, and without limitations thereto, Madhya Pradesh and MPSPAI 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, Madhya Pradesh and MPSPAI, a plan satisfactory to the Association for the future operation of the Project.

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

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

ARTICLE III

Management and Operations of MPSPAI

Section 3.01. MPSPAI shall carry on its operations and conduct their affairs in accordance with sound administrative, financial and environmental practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. MPSPAI shall at all times operate and maintain their equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative and financial practices.

Section 3.03. MPSPAI shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association, for insurance against such risks and in such amounts as shall be consistent with appropriate practices.

ARTICLE IV

Financial Covenants

Section 4.01. (a) Madhya Pradesh and MPSPAI shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect in accordance with sound financial management and accounting practices the operations, resources and expenditures in respect of the Project, of the departments or agencies of Madhya Pradesh or MPSPAI responsible for carrying out the Project, or any part thereof.

(b) Madhya Pradesh and MPSPAI shall:

(i) have the records, accounts and financial statements 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 and as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such fiscal year as so audited, and (B) an opinion on such financial statements, records and accounts 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 and such other information concerning said records, accounts and financial statements as well as the audit thereof, and concerning such auditors, as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Madhya Pradesh and MPSPAI shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system in order to enable each of Madhya Pradesh and MPSPAI, not later than March 31, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and application of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and

(B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and

(B) explains variances between the actual and previously forecast implementation plans; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period

covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, Madhya Pradesh and MPSPAI shall prepare, in accordance with guidelines acceptable to, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

Section 4.03. Madhya Pradesh and MPSPAI shall maintain during the Project implementation period a satisfactory financial management system for the Project, in accordance with the Financial Management Manual agreed with the Association.

Section 4.04. Madhya Pradesh and MPSPAI shall employ not later than December 31, 2000 and thereafter maintain, a qualified professional accountant as Financial Manager, to manage the financial aspects of the Project, with experience and qualifications agreed with the Association.

Section 4.05. Madhya Pradesh and MPSPAI shall employ not later than February 28, 2001, and thereafter maintain throughout the Project implementation period, a firm of chartered accountants with terms of reference and qualifications acceptable to the Association, for auditing the records, accounts and financial statements of the Project.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and Madhya Pradesh and MPSPAI 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 Madhya Pradesh and MPSPAI of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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 fax 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: Telex: Facsimile:
INDEVAS 248423 (MCI) (202) 522-1709
Washington, D.C. 64145 (MCI)

For Madhya Pradesh:

Chief Secretary
Government of Madhya Pradesh
Bhopal
Madhya Pradesh, India

Facsimile:
0755-551521

For Madhya Pradesh Society for Poverty Alleviation Initiatives:

Second Floor
Vindhyachal Bhawan
Bhopal 462004 Madhya Pradesh
India

Facsimile:
0755-551114

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Madhya Pradesh or MPSPAI may be taken or executed by its Chief Secretary or such other person or persons as Madhya Pradesh or MPSPAI shall designate in writing, and Madhya Pradesh or MPSPAI shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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 MADHYA PRADESH

By /s/ B. K. Das

Authorized Representative

MADHYA PRADESH SOCIETY FOR POVERTY
ALLEVIATION INITIATIVES

By /s/ P. K. Dash

SCHEDULE 1

Procurement

Section I. Procurement of Good and Works

Part A: General

1. 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 September 1997, and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Procurement Procedures

1. National Competitive Bidding

(a) Goods (other than for Part B of the Project) estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,200,000 equivalent may be procured under contracts awarded in accordance with national competitive bidding procedures satisfactory to the Association.

(b) Works (other than for Part B of the Project) estimated to cost \$30,000 equivalent or more per contract, and costing up to an aggregate amount not to exceed \$15,000,000, may be procured under contracts awarded in accordance with national competitive bidding procedures satisfactory to the Association.

2. National Shopping

(a) Equipment and materials, excluding vehicles (other than for Part B of the Project) estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$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.

(b) Vehicles estimated to cost the equivalent of up to \$100,000 per contract, up to an aggregate amount not to exceed \$200,000 may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 of the Guidelines.

3. Direct Contracting

(a) Goods (other than for Part B of the Project) estimated to cost the equivalent of \$10,000 per contract up to an aggregate amount not exceeding \$700,000 equivalent; and

(b) Miscellaneous items (other than for Part B of the Project) estimated to cost less than \$500.00 equivalent per contract up to an aggregate amount not exceeding \$100,000 equivalent may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement of Works and Goods for Part B of the Project

Works and goods for sub-projects under Part B of the Project estimated to cost up to an aggregate amount not exceeding \$95,000,000 equivalent, may be procured as follows:

(a) Works estimated to cost less than \$30,000 equivalent per contract may be procured either:

(i) under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) 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;

(ii) through direct contracting with NGOs or community organizations, in accordance with the provisions of paragraph 3.7 of the Guidelines;

(iii) through community participation procedures in accordance with paragraph 3.15 (iii) of the Guidelines;
or

(iv) as a last resort, and with prior approval of the Association, through force account in accordance with the provisions of paragraph 3.8 of the Guidelines and procedures satisfactory to the Association and subject to an aggregate ceiling of \$200,000.

(b) Goods estimated to cost less than \$30,000 equivalent per contract may be procured on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 of the guidelines.

(c) Goods estimated to cost less than \$500.00 equivalent per contract up to an aggregate amount not exceeding \$200,000 may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part C: 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

(a) With respect to any contract for goods estimated to cost the equivalent of \$100,000 or more, and works, estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts for goods and the first two contracts for works estimated to cost less than \$100,000, but more than \$30,000, the following procedures shall apply:

(i) prior to the selection of any supplier or contractor, MPSPAI shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any such contract, MPSPAI shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) 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

1. 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, and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultants Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

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. Selection Based on Consultants' Qualifications

Services for technical assistance or training estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

(a) Consultants' or NGOs' services for technical assistance or training which are estimated to cost less than \$100,000 equivalent per contract, 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.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines and estimated to cost less than \$50,000 equivalent, 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 their 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 for technical assistance or training 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 for technical assistance or training 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 their 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. MPSPAI shall not later than January 31 of each year, starting 2001, prepare annual action and procurement plans for implementation of the Project activities, and taking into account the Association's recommendations, finalize, not later than March 15 of each year, such plans.
2. MPSPAI shall maintain the SPU and DPUs with the staffing and responsibilities agreed with the Association.
3. MPSPAI shall cause the VDCs and the DPUs to select and appraise the Sub-Projects under Part B of the Project in accordance with the criteria and procedure specified in the Operations Manual.
4. Sub-Projects shall be carried out on the basis of a Sub-Project Agreement to be entered into between the respective DPU and the Beneficiary Institution, under terms and conditions acceptable to the Association. Such agreements shall, inter alia, specify the type of Sub-Project as described in Part B of the Project, describe the works and goods to be financed, and the cash or kind contribution of the Sub-Project beneficiaries.
5. To ensure that the tribal population in the Project Districts benefit fully from the activities under the Project, Madhya Pradesh and MPSPAI shall implement, in a manner satisfactory to the Association, the tribal development plan, agreed with the Association, for the tribal population in the Project Districts.
6. MPSPAI shall select the NGOs assisting in the implementation of the Project in accordance with criteria and procedures agreed with the Association.
7. Madhya Pradesh and MPSPAI 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 the Project and the achievement of the objective thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than June 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out the Project during the

period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review with the Association by December 31, 2003, or such later date as the Association shall request, the reports referred to in paragraph (b) of this Section, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter.

8. Madhya Pradesh and MPSPAI shall:

(a) ensure that any private land needed for any work under the Project shall be provided by the owner of such land in a voluntary manner, and in accordance with a memorandum of understanding, acceptable to the Association, between the Beneficiary Institution and the owner of such land;

(b) not commence any work in locations where private land is needed until such memorandum of understanding has been concluded; and

(c) to the extent practicable, ensure that any land to be made available by the owner shall be free from any encumbrances and encroachment, and that no involuntary resettlement arises from any use of such land under Part B of the Project.

9. Madhya Pradesh and MPSPAI shall engage, by no later than February 28, 2001, consultants to carry out a baseline social and economic survey of beneficiaries for the Project on terms of reference agreed with the Association.

