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CREDIT NUMBER 4758-IN

# Project Agreement

(West Bengal Institutional Strengthening of Gram Panchayats Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF WEST BENGAL

Dated July 15, 2010

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## **PROJECT AGREEMENT**

AGREEMENT dated July 15, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and STATE OF WEST BENGAL (“Project State”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between INDIA (“Recipient”) and the Association. The Association and the Project State hereby agree as follows:

### **ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

### **ARTICLE II – PROJECT**

- 2.01. The Project State declares its commitment to the objectives of the Project. To this end, the Project State shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project State shall otherwise agree, the Project State shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III – REPRESENTATIVE; ADDRESSES**

- 3.01. The Project State’s Representative is the Secretary of the Government of West Bengal.
- 3.02. The Association’s Address is:

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

Facsimile:

1-202-477-6391

3.03. The Project State's Address is:

Panchayats and Rural Development Department  
Government of West Bengal  
Jessop Building  
63 Netaji Subhas Road  
Kolkata 700001

AGREED at Kolkata, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zaghera  
Authorized Representative

STATE OF WEST BENGAL

By /s/ Trilochan Singh  
Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements and Project Undertakings

1. The Project State shall provide Block-Grants to Participating GPs to carry out Sub-projects in accordance with the objectives, policies, procedures, time schedules and other provisions set forth in the PIM and the ESMF and shall not amend or waive any provisions of such PIM and Framework without the agreement of the Association.
2. Throughout the duration of the Project, the Project State shall: (i) make adequate budgetary allocation for timely release of funds to GPs, (ii) ensure that funds released under Block-Grants are transferred to Participating GPs in a timely manner; and (iii) cause GPs to maintain policies and procedures adequate to monitor and evaluate on an ongoing basis, in accordance with systems detailed in the PIM, the carrying out of the Sub-projects and the achievement of the objectives thereof.
3. The Project State shall ensure that, throughout the duration of the Project, the total annual budgeted State Finance Commission award amount for GPs shall not decrease in real terms, as measured using the national inflation rate as deflator and using 2009/2010 as the base year.
4. The Project State shall, and shall cause the GPs to follow the planning guidelines for GPs and shall provide periodic evidence to the Association of progress achieved in the implementation of the Project in accordance with indicators agreed with the Association.
5. The Project State shall cause STARPARD to be responsible for coordinating and managing formal training programs for Participating GPs.
6. The Project State shall cause WBSRDA and STARPARD to enter into a MOU which shall detail each party's responsibilities, with respect to the implementation of Part B of the Project, in form and substance acceptable to the Association.
7. The Project State shall ensure that no civil works shall be carried out that may result in the involuntary resettlement of local population.

8. Throughout the duration of the Project, the Project State shall:
- (a) at the Project State level:
    - (i) maintain the PRDD and ensure that:
      - (A) it is responsible, through the ISGPP Cell, for overseeing the progress of the activities and programs under the Project, including their design, implementation, and maintenance; and
      - (B) it has an adequate organizational structure with functions, powers, staff and resources necessary and appropriate to carry out its responsibilities under the Project;
    - (ii) maintain the WBSRDA and ensure that:
      - (a) it is responsible for overseeing the progress of Project implementation;
      - (b) it has an adequate organizational structure with functions, powers, staff and resources necessary and appropriate to carry out its responsibilities under the Project; and
    - (iii) cause the ISGPP Cell to carry out its responsibilities under the Project, including: (i) ensuring timely implementation according to the PIM; (ii) preparing for annual work programs, budgets, annual procurement plans and providing quality control; (iii) preparing withdrawal applications for disbursements for submission to the Association; (iv) maintaining consolidated Project accounts and arranging for Project audits to be done on time and as per specifications; (v) preparing quarterly Financial Monitoring Reports, information on financial execution, activity progress as well as procurement progress on all components of the Project; (vi) coordinating and interacting with ELA and STARPAR, in the context of selected activities carried out through them; (vii) ensuring proper implementation of the ESMF within the planning process by the GPs; and (viii) rolling out the GP management system in the GPs.
  - (b) at the district level, maintain DCUs, GP-Mentoring Teams, and District Training Centers with an adequate organizational structure, staff and

resources necessary and appropriate to carry out their responsibilities under the Project.

9. The Project State shall take all necessary steps to:
  - (a) ensure that all Project entities and the Participating GPs carry out their respective Project implementation responsibilities in accordance with the Governance and Accountability Action Plan, the Project Implementation Manual, the Procurement Manual, the Procurement Plan, and the Procurement Risk Mitigation Plan; and
  - (b) ensure that: (i) the provisions of the Manuals and Plans referred to subparagraph (a) above are not revised, amended, or abrogated without agreement of the Association; and (ii) no action is taken which shall prevent or interfere with the implementation of said Manuals or Plans.

**B. Block Grant Access Criteria and Performance Measures**

1. To be eligible for a Block Grant, a GP shall have:
  - (i) submitted to the Project State an approved annual budget in the correct format (Form 36), by the start of the FY;
  - (ii) a minimum expenditure performance calculated as sixty percent (60%) expenditure of untied revenue receipts over the first three quarters of the previous FY, except for the first year of the Project where this will be calculated as sixty percent (60%) expenditure of untied revenue receipts over the entire preceding FY;
  - (iii) the most recent available audit opinion of the Recipient's Comptroller and Auditor General in respect of the GP, provided that the opinion was not adverse or disclaimed; and
  - (iv) an operational GP Management System installed at the GP, and rated as excellent by PRDD, as demonstrated by generation of the GP's last monthly report.
2. With respect to the third Annual Assessment and thereafter, in addition to meeting the minimum conditions described in 1 above, each GP shall be required to obtain a minimum score generated through an independent assessment, based on detailed performance criteria, weighting and scoring as detailed in the PIM.

**C. Resolution**

1. For the purposes of Part A of the Project, the Project State, through PRDD, shall make arrangements, satisfactory to the Association, to define the relationship with each Participating GP, whereby the Project State shall agree to provide to such Participating GP a grant, on terms and conditions agreed with the Association, including details of disbursement schedules and procurement procedures, details of any further safeguards as may be needed for the management of the environment, and the following additional terms and conditions:
  - (a) require the GP to carry out all Sub-project activities with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records;
  - (b) obtain all such information as the Association or the Recipient shall reasonably request; and
  - (c) suspend or terminate the right of a GP to the use of the proceeds of the Credit upon failure by such GP to perform its obligations under the Resolution.
  
2. Block Grants shall be disbursed in installments to eligible Participating GPs, provided that the Project State has furnished to the Association:
  - (a) for FY 2010/2011:
    - (i) initial cashflow forecasts for FY 2010/2011 for Block Grants based on the Annual Assessment; and
    - (ii) Certification, by WBSRDA, of receipt, from all qualifying GPs, of the Resolution referred to in paragraph C.1, Section I of this Schedule.
  
  - (b) for FY 2011/2012:
    - (i) for the first installment: (A) initial cashflow forecasts for FY 2011/2012 for Block-Grants based on the results of the Annual Assessment; (B) a schedule indicating the funds released by the Project State to the GPs through Block-Grants during the previous Fiscal Year, including the dates of release; and (C) certification of receipt, from qualifying GPs, of the Resolution referred to in paragraph C.1, Section I of this Schedule;

- (ii) certification, by WBSRDA, indicating that there have been no: (A) significant reallocations, deviations; or (B) suspension of Financing in the previous year, as compared to the indicative planning figures for the GPs; or providing clarifications and reasons for deviations, if any, that are consistent with the PIM; and
  - (iii) for the second installment: (A) cashflow forecasts for the supplementary budgets of newly qualifying GPs for FY 2011/12, based on the Annual Assessment; (B) certification of receipt, from all GPs qualifying for the first time, of the Resolution referred to in paragraph C.1, Section I of this Schedule.
- (c) for each of the subsequent FYs:
- (i) a schedule indicating the funds released by the Project State to the GPs through Block-Grants during the previous Fiscal Year, and amounts to be released in the following Fiscal Year, including the date of each release, and an initial cashflow forecast for the following Fiscal Year for Block-Grants based on the results of the Annual Assessment, including the date of each release;
  - (ii) certification, by WBSRDA, indicating that there have been no: (A) significant reallocations, deviations; or (B) suspension of Financing in the previous year, as compared to the indicative planning figures for the GPs; or providing clarifications and reasons for deviations, if any, that are consistent with the PIM; and
  - (iii) certification, by WBSRDA, of receipt of the Resolution referred to in paragraph C.1, Section I of this Schedule in respect of any GP participating for the first time.

**D. Anti-Corruption**

The Project State shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**E. Environmental and Social Safeguards Management**

1. The Project State shall, in the carrying out of the Project, apply and implement, or cause to be applied and implemented:



- (a) the Environmental and Social Management Framework and the environmental management plans prepared pursuant to the provisions of said Framework; and
- (b) the Tribal and Other Vulnerable Group Development Framework, and the plans prepared pursuant to the provisions of said Framework;

all in a manner and substance satisfactory to the Association.

- 2. The Project State shall not amend, suspend, or waive the, the Environmental and Social Management Framework or the Tribal and Other Vulnerable Group Development Framework, or any provision thereof, without the prior concurrence of the Recipient and the Association.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

- 1. The Project State shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association and referred to in sub-paragraph 2 below. Each such Project Report shall cover the period of six (6) months of the Recipient's financial year, and shall be furnished to the Association not later than forty-five (45) days after the end of said period.
- 2. The performance indicators referred to above in sub-paragraph 1 above consist of the following: (a) a minimum of 80% of 1,000 GPs have well-functioning fiduciary and planning systems as measured through the Annual Assessments; and (b) a performance-based grant transfer is well established to roll out to other GPs.
- 3. Without limitation to the provision of sub-paragraph 1 above, the Project State shall, not later than thirty (30) months after the Effective Date, carry out jointly with the Association a midterm review, which shall cover among other things: (i) the performance by Participating GPs under Part A of the Project; (ii) progress in meeting the Project's objectives; (iii) overall Project performance as measured against the performance indicators referred to in sub-paragraph 2 above; and (iv) thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report.

**B. Financial Management, Financial Reports and Audits**

1. The Project State shall maintain a financial management system and prepare Project's Financial Statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources, expenditures and financial condition of the Project.
2. The Project State shall have the Project's Financial Statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) financial year of the Recipient. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project, and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the following additional procedures, namely, that Standard Bidding Documents and Procedures approved by the Association shall be used. The Procurement Plan shall specify the circumstances under which such method may be used.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	National Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Project State and the Association
(b)	Shopping
(c)	Direct Contracting

**C. Procurement of Goods and Works under Part A**

All goods and works required for Part A of the Project shall be procured by the Participating GPs in accordance with the provision of the Procurement Manual.

**D. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection, subject to the following additional procedures, namely, that Standard Request for Proposal and Procedures approved by the Association shall be used. The Procurement Plan shall specify the circumstances under which such method may be used.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality-Based Selection
(b)	Fixed Budget Selection
(c)	Selection based on Consultants’ Qualifications
(d)	Single Source Selection
(e)	Least Cost Selection
(f)	Selection of Individual Consultants

**E. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.