

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4323-IN

Project Agreement

(Bihar Rural Livelihoods Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF BIHAR

Dated August 9, 2007

Public Disclosure Authorized

CREDIT NUMBER 4323-IN

PROJECT AGREEMENT

AGREEMENT dated August 9, 2007, entered between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the STATE OF BIHAR acting by its Governor (“Project Agreement”) in connection with the Financing Agreement of same date between India (“Recipient”) and the Association (“Financing Agreement”). The Association and the State of Bihar 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.

Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II—PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:
- (a) carry out the Project through the BRLPS in accordance with the provisions of Article IV of the Association’s General Conditions, and
 - (b) 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 Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

- 3.01. The State of Bihar’s Representative is Chief Secretary, Government of Bihar.

3.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The State of Bihar's Address is:

Chief Secretary
Government of Bihar
Secretariat
Patna, India

Facsimile:
91-612-2205981

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Isabel M. Guerrero
Country Director, India

STATE OF BIHAR

By

/s/ Navin Kumar
Authorized Representative

SCHEDULE 1

Execution of the Project

Section I. Institutional and Other Arrangements

A. Institutional Provisions

1. The Project Implementing Entity shall be responsible for the management and coordination of the implementation of the Project and shall, for these purposes, maintain:
 - (a) BRLPS, with broad representation from all key stakeholders as defined in the Memorandum and Articles of Association of the BRLPS; and
 - (b) Staff within BRLPS with adequate skills, qualifications and experience and in sufficient number, all as set forth in the PIP, including, *inter-alia*: (i) a qualified finance professional as chief finance officer during project implementation; (ii) a financial management and technical resource consultant for up to three years of initial Project implementation; (iii) a qualified procurement consultant, supported by qualified procurement assistants; and (iv) a CEO from the civil service.
2. The Project Implementing Entity
 - (a) shall implement the Project in accordance with the PIP and the procedures, principles and practices set forth in the COM;
 - (b) shall not amend or waive any provision of the PIP or COM, unless in a manner satisfactory to the Association;
 - (c) shall prepare and furnish to the Association, not later than January 31 of each year, commencing in January 31, 2008, an annual work plan, budget and procurement plans for implementation of the Project in such form and detail as the Association shall request, and finalize, not later than March 31 of each year, such plans taking into account the Association's comments thereon;
 - (d) shall establish by January 1, 2008, and thereafter maintain throughout the life of the Project, a grievance redressal cell within BRLPS, as defined in the PIP;

- (e) shall establish and thereafter maintain throughout the life of the Project as outlined in the PIP, a SPMU, DPCUs and BPIUs with staffing and responsibilities as defined in the PIP;
- (f) shall establish and thereafter maintain throughout the life of the Project as outlined in the PIP, the TAF to supply support services for CBOs and federations in the areas of institution building, and financial and livelihood support services; and
- (g) shall appoint within six months of the Effective Date, or by such later date as agreed by the Association, chartered accountant(s) to carry out internal audit as per terms of reference satisfactory to the Association.

Grants: Terms and Conditions of Beneficiary Agreements

3. The Project Implementing Entity shall take all measures necessary as defined in the COM, and thereafter maintain, the CIF for purposes of providing Grants to Beneficiaries, which may be used as revolving funds.
4. The Project Implementing Entity shall ensure that, for the purposes of each Grant, it shall enter into a Beneficiary Agreement with a CBO, consistent with the terms set forth in the COM and PIP.
5. The Project Implementing Entity shall:
 - (a) ensure that all Beneficiaries are selected in accordance with the criteria set forth in the COM and PIP;
 - (b) cause each BPIU to ensure that the CBO has achieved and/or is in compliance with indicators specified in the COM and PIP before release of Grant; and
 - (c) cause release of funds in a timely manner to the CBO, all in accordance with the rules, procedures and guidelines as set forth in the COM and PIP.
6. The Project Implementing Entity shall adequately protect the interests of the Recipient, the Association and the Project Implementing Entity, including the right to:

- (a) require that MCPs, which are financed by a Grant, be carried out in accordance with the COM and PIP, as the case may be, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards, and that adequate records to reflect the financing of and operations, resources and utilization of the MCPs be maintained;
- (b) require that the goods, works and services to be financed from the proceeds of the Credit be procured in accordance with the procedures set forth in Schedule 1 to this Agreement;
- (c) obtain all such information as the Project Implementing Entity or the Association shall reasonably request, regarding the administration, operation and financial condition of the CBO to which the Grant is made; and
- (d) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant upon failure by the Beneficiary to perform any of its obligations under the Beneficiary Agreement.

Service Provider Organization Selection

7. The Project Implementing Entity shall select appropriate SPOs to assist in the implementation of the Project in accordance with eligibility criteria and procedures agreed with the Association and set forth in the COM and PIP.

Social and Environmental Safeguards

8. The Project Implementing Entity, shall
- (a) carry out the Project in accordance with the agreed EMF and in a manner satisfactory to the Association;
 - (b) ensure that the environmental and social screening criteria are updated regularly, and are at all times consistently and satisfactorily applied; and
 - (c) without prejudice to the generality of paragraph (a) of this Paragraph 8, implement, in a manner satisfactory to the Association, the TDP to ensure that the tribal population in Bihar shall benefit fully from the activities financed under the Project.

Land Acquisition

9. The Project Implementing Entity shall ensure that:
 - (a) the Project shall be implemented, as far as reasonably practicable, on publicly-owned land, using land free from squatters, encroachments or other encumbrances;
 - (b) the Project shall not involve any compulsory acquisition of land, forcible eviction or involuntary resettlement of local population; and
 - (c) where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken exclusively on the basis of mutually-agreed sales transactions or voluntary land donations, and in accordance with guidelines and procedures set forth in the PIP, including establishment of appropriate grievance redressal mechanisms to address potential disputes arising out of such sales or donations.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the Association's General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one calendar semester (six month period), and shall be furnished to the Recipient not later than eight weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

Mid-Term Review

2. (a) The report which the Recipient and Project Implementing Entity shall furnish to the Association, on or about December 31, 2009, in accordance with the provisions of Section 4.08 of the General Conditions (for the purposes of this Section "the Mid-Term Review Report"), shall: (i) integrate the results of the monitoring and evaluation activities performed on the progress achieved since commencement of Project implementation in carrying out of the Project; and (ii) set forth the measures recommended to ensure satisfactory Project implementation and achievement of the Project objectives for the remainder of Project implementation; and

- (b) the Recipient and Project Implementing Entity shall review with the Association, by January 31, 2010, or such later date as the Recipient, Project Implementing Entity and the Association shall agree, the Mid-Term Review Report, and, thereafter, take all measures required to ensure the satisfactory completion of the Project and the achievement of the Project objectives, based on the conclusions and recommendations of the Mid-Term Review Report and the Association's views on the matter.
- 3. The Mid-Term Review Report shall cover, *inter-alia*: (i) Project scope, design and implementation arrangements; (ii) implementation progress against agreed indicators; (iii) procurement performance; (iv) performance of consultants; (v) fund flows; (vi) the progress of implementation of the EMF and TDP; and (vii) any other issue agreed between the Recipient, Project Implementing Entity and the Association.

B. Financial Management, Financial Reports; Audits

- 1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
- 2. The Project Implementing Entity shall have its 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 fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.
- 3. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.