

CONFORMED COPY

GRANT NUMBER TF029302

Japanese Grant Agreement

(District Poverty Initiatives Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator of Grant Funds  
provided by JAPAN

Dated , 1996

GRANT NUMBER TF029302

JAPANESE GRANT AGREEMENT

AGREEMENT, dated , 1996, between INDIA, acting by its President (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 between Japan and International Bank for Reconstruction and Development (the Bank) and the Association, Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such letter agreement; and

WHEREAS (B) Japan has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985, with the

modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (12), and (13), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.05;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (b), (c), (d), (e), (g) and (h), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;
- (ix) Article X; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Association" wherever used in the General Conditions, other than in Section 6.02 (e) thereof, means the International Development Association acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;
- (ii) the term "Borrower" wherever used in the General Conditions, means the Recipient;
- (iii) the term "Development Credit Agreement" wherever used in the General Conditions, means this Agreement;
- (iv) the term "Credit" wherever used in the General Conditions, means the Grant;
- (v) the term "Credit Account" wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
- (vi) the term "Project" wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement;
- (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out of the proceeds of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."; and

(viii) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or service supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth; and the following additional terms have the following additional meanings:

- (a) "Participating Institution" means any one of the following:
  - (i) Institute of Development Studies, Jaipur, Rajasthan;
  - (ii) Institute of Public Enterprises, Hyderabad, Andhra Pradesh;
  - (iii) Environment Planning and Coordination Organization, Bhopal, Madhya Pradesh;
  - (iv) The State Institute of Rural Development, Calcutta, West Bengal; and
  - (v) Any other Institute designated by the Recipient and confirmed by the Administrator.

(b) "Participating States" means the following States of the Recipient: Andhra Pradesh, Madhya Pradesh, Rajasthan and West Bengal; and "Participating State" means any one of the above States;

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

- (d) "yen" and "¥" mean the currency of Japan.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of eighty eight million three hundred thousand yen (¥88,300,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Technical Assistance and to be financed out of the Grant.

(b) The Recipient may, for the purposes of the Technical Assistance, open and maintain in the Reserve Bank of India a special deposit account on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Recipient shall make available the proceeds of the Grant to the Participating States in accordance with the Recipient's standard arrangements for developmental assistance to the States of India.

Section 2.04. The Closing Date shall be December 31, 1997 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Technical Assistance

Section 3.01. The Recipient shall carry out the Technical Assistance through the Participating States with due diligence and efficiency and in conformity with appropriate, administrative, financial and management practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Technical Assistance.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the consultants' services required for the Technical Assistance and to be financed out of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall cause the Participating States to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Technical Assistance of the departments or agencies of the Participating States responsible for carrying out the Technical Assistance or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) 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 Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than nine 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 Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Administrator has received the audit for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure 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.

#### ARTICLE IV

##### Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

#### ARTICLE V

##### Representation

Section 5.01. The Secretary, or any Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs, Ministry of Finance of the Recipient, is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

Cable address: ECOFAIRS  
New Delhi

Telex: 953-3166175

For the Administrator:

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

Cable address: INDEVAS  
Washington, D.C.

Telex: 197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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

INDIA

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the Grant

By

Regional Vice President  
South Asia

#### SCHEDULE 1

##### Withdrawal of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Yen)	% of Expenditures to be Financed
(1) Consultants' Services	80,000,000	100%
(2) Unallocated	8,300,000	
TOTAL	88,300,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not to exceed ¥8,000,000 may be made on account of payments made for expenditures before that date but after May

15, 1996; or (b) in respect of payments for expenditures incurred with respect to any Participating Institution unless the Recipient and such Participating Institution shall have entered into a Subsidiary Grant Agreement satisfactory to the Administrator.

3. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for Consultants' Services and training under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants respectively, under such terms and conditions as the Administrator shall specify by notice to the Recipient.

## SCHEDULE 2

### Description of Technical Assistance

The objective of the Technical Assistance is to assist the Recipient and Participating States to carry out preparatory activities for the proposed District Poverty Initiatives Project (DPIP) for appraisal.

The Technical Assistance would provide the baseline data needed for planning, as well as develop the participatory planning capability required, for DPIP. The overall objective of DPIP would be to improve the well being of the poor in a selected number among the poorest districts in the Participating States. The specific objectives of DPIP are: (a) to increase the availability and improve the efficiency and effectiveness of basic infrastructure and social sector services in these districts; and (b) to increase the capacity of state and local governments to plan, implement, monitor and evaluate programs with a strong poverty alleviation focus.

Except as the Recipient and the Administrator shall otherwise agree, the Technical Assistance shall consist of the following parts:

(a) Social Assessments. Carrying out social assessments in each Participating State with the purpose of developing appropriate criteria identifying the poor, the causes of poverty, and the appropriate investment interventions to alleviate their poverty. The social assessment will consist of the following: (i) planning workshops to carry out the social assessment as a participatory planning process and build district planning capacity; (ii) assessing the district poverty situation, the existing poverty alleviation programs and their effectiveness, and identifying the key stakeholders; (iii) carrying out participatory fieldwork to verify the conclusions of the initial review, the beneficiaries' perceptions and evaluation of existing poverty alleviation programs, and to complete the participatory planning of the DPIP interventions and strategies to be integrated into an overall district plan; (iv) carrying out district planning workshops with participation of stakeholders; (v) completing the District Implementation Plans; and (vi) completing a description of the participatory planning process followed.

(b) Environmental Assessment of Investments Included in Proposed Perspective and Annual Action Plans. Preparation of environmental assessments of proposed perspective and annual plans. Preparation of tribal development plans for districts in which DPIP is to be carried out and in which tribals constitute a significant share of the target beneficiary population.

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The Technical Assistance is expected to be completed by July 31, 1997.

## SCHEDULE 3

### Consultants' Services

#### Section I. Employment of Consultants

1. In order to assist the Recipient in carrying out the Technical Assistance, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of

the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Technical Assistance and to be financed out of the amount of the Grant allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the Special Account has been duly opened, 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 Recipient shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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. All such deposits shall be withdrawn by the Administrator from the Grant Account under the eligible Category, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further

withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Administrator within the period of time specified in Section 3.03 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Category, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Technical Assistance, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Category shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

