

CONFORMED COPY

CREDIT NUMBER 3430 IN

Development Credit Agreement

(Madhya Pradesh District Poverty Initiatives Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 5, 2000

CREDIT NUMBER 3430 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 5, 2000, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association);

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project, described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by the State of Madhya Pradesh (Madhya Pradesh) and Madhya Pradesh Society for Poverty Alleviation Initiatives (MPSPAI) (as hereinafter defined) with the Borrower's assistance, as part of such assistance, the Borrower will make available to Madhya Pradesh the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association Madhya Pradesh and MPSPAI (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through October 6, 1999, (the General Conditions) constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

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

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (i) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services 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 Association, 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. Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement and in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Beneficiary Institutions" means the Common Interest Groups, the Gram Panchayats and the Village Development Committees (as each is hereinafter defined), and the term "Beneficiary Institution" means any of those institutions;

(b) "Category" means a category of items set forth in the table in Section 1 of Schedule 1 to this Agreement;

(c) "Common Interest Groups" (CIGs) means a group of poor individuals in any of the Project Districts (as hereinafter defined) who agree to organize themselves as a group for common socio-economic activities;

(d) "Community Investments" mean Sub-Projects and community cash contributions to village fund;

(e) "DPU" means the District Project Units established by Madhya Pradesh in each of the Project Districts (as hereinafter defined);

(f) "Eligible Categories" means categories (1), (2), (3), and (4) set forth in the table in Section 1 of Schedule 1 to this Agreement;

(g) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(h) "Fiscal Year" means the fiscal year of the Borrower, Madhya Pradesh and MPSPAI starting April 1 and ending March 31;

(i) "Gram Panchayats" means local government bodies established under the Madhya Pradesh Panchayati Raj Act, 1994;

(j) "Line Departments" means the departments of the Government of Madhya Pradesh;

(k) "NGOs" means non-governmental organizations established and operating in the territory of the Borrower;

(l) "Operations Manual" means the Operations Manual prepared by Madhya Pradesh dated September 23, 2000, as may be amended from time to time by agreement between the Association and Madhya Pradesh, outlining, inter alia, community level institutional arrangements, procedures and criteria for selection, appraisal and implementation of sub-projects (as hereinafter defined);

(m) "Project Agreement" means the agreement among the Association, Madhya Pradesh and MPSPAI of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(n) "Project Districts" means the districts of Shajapur, Rajgarh, Vidisha, Guna, Shivpuri, Narsinghpur, Raisen, Damoh, Sagar, Rewa, Tikamgarh, Chhatarpur, Panna and Sidhi of Madhya Pradesh;

(o) "Project Implementation Plan" means the implementation plan of Madhya Pradesh and MPSPAI for the Project dated September 23, 2000, and, including time-bound action plans, procedures and criteria agreed with the Association;

(p) "Project Management Report" means each Project Management Report prepared in accordance with Section 4.02 of the Project Agreement;

(q) "Madhya Pradesh" means the Borrower's state of Madhya Pradesh, or any successor thereto;

(r) "MOU" means the Memorandum of Understanding between Madhya Pradesh and MPSPAI outlining the rights and obligations of each party with regards to the carrying out of the Project;

(s) "MPSPAI" means Madhya Pradesh Society for Poverty Alleviation Initiatives, a society established and registered under the Madhya Pradesh's Society Registration Act, 1973, as amended to date, and operating according to its Memorandum and Articles of Association, and By-Laws dated July 18, 2000;

(t) "Self help groups" means Common Interest Groups which, in lieu of, or in addition to carrying out sub-projects, engage in thrift and credit activities;

(u) "SPU" means the State Project Unit established in MPSPAI for assisting in carrying out the Project;

(v) "Sub-Project" means a specific project under Part B of the Project which meets the criteria set forth in the Operations Manual and the Project Implementation Plan;

(w) "Sub-Project Agreement" means the agreement to be entered into between any of the DPUs and any of the Beneficiary Institutions for carrying out a Sub-Project; and

(x) "VDCs" means the Village Development Committee comprising of representatives of, inter alia, the Common Interest Groups and the Gram Panchayats at the village level.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighty-four million two hundred thousand Special Drawing Rights (SDR 84,200,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1, and October 1, commencing April 1, 2011 and ending October 1, 2035. Each installment to and including the installment payable on October 1, 2020 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph

(b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower,

further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Madhya Pradesh and MPSPAI to perform in accordance with the provisions of the Project Agreement all the obligations of Madhya Pradesh and MPSPAI as therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Madhya Pradesh and MPSPAI to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Madhya Pradesh in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and 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 the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that 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 shall be carried out by Madhya Pradesh and MPSPAI pursuant to Section 2.03 of the Project Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or Statements of Expenditures, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures be retained until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a)(i) 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 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 Fiscal Year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management Reports or 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; and

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Either Madhya Pradesh or MPSPAI shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Madhya Pradesh or MPSPAI will be able to perform its obligations under the Project Agreement.

(c) Any change shall have been made in the Memorandum and Articles of Association of MPSPAI, or its By-laws, so as to materially or adversely affect the ability of MPSPAI to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions to be included in the opinion or opinions to be furnished to the Association namely, that the Project Agreement has been duly authorized or ratified by Madhya Pradesh and MPSPAI and is legally binding upon Madhya Pradesh and MPSPAI in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, and Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower are each designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:                      Telex:                      Facsimile:  
  
                    ECOFAIRS                      953-3166175      011-3017511  
                    New Delhi

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)

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.

INDIA

By /s/ Adarsh Kishore

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

##### A. General

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Community Investments		
(a) Sub-projects under Part B of the Project	71,650,000	95%
(b) Community Funds	-	-
(2) Goods, including	1,840,000	100% of foreign expendi-

	equipment, materials and vehicles (excluding Part B of the Project)		tures, 100% of local expen- ditures (ex-factory cost) and 80% of local expendi- tures for other items procured locally
(3)	Consultants' services (including NGOs' services), training, work- shops and study tours	6,550,000	100%
(4)	Incremental operating costs	4,100,000	80% until March 31, 2003; 60% from April 1, 2003 until March 31, 2005 and 40% thereafter
(5)	Unallocated	60,000	
	TOTAL	84,200,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "incremental operating costs" means the costs of operation and maintenance of equipment and vehicles, office rental and expenses, hiring of vehicles, and salaries and allowances of additional staff, incurred for the purposes of carrying out the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding SDR 500,000 may be made on account of payments made for expenditures before that date and after November 1, 1999.

4. The Association may require withdrawal from the Credit Account to be made on the basis of statements of expenditures for expenditures: for (i) Sub-projects under Part B of the Project; (ii) goods not exceeding \$100,000 equivalent; (iii) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 for employment of individual consultants, respectively; (iv) training, workshops and study tours; and (v) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of the Project Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of the Project Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this



Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.02 of the Project Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A to SCHEDULE 1

Operation of Special Account when Withdrawals are  
not made on the Basis of Project Management Reports

1. For the purposes of this Annex the term "Authorized Allocation" means an amount of \$7,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of \$3,500,000 until the aggregate amount of withdrawals from the Credit

Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed SDR10,800,000.

2. 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 Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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.

#### Annex B to SCHEDULE 1

##### Operation of Special Account when Withdrawals are made on the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each applications for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said applications, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account shall not exceed the equivalent of \$14,000,000.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to assist Madhya Pradesh in improving

opportunities for the poor and the vulnerable in the Project Districts, specially women, to meet their own social and economic development objectives through: (i) establishing/strengthening self-managed Common Interest Groups that empower poor rural people; (ii) building capacity of Common Interest Groups and other local institutions, particularly the VDCs' and Gram Panchayats; and (iii) supporting investments in small sub-projects proposed by the poor to accelerate entry and expand involvement of the poor in social and economic activities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A: Institutional and Human Capacity Building

1. Formation and strengthening of Common Interest Groups, including self-help groups, and their support organizations, and provision of consultants' services, including NGOs' services, training and start-up activities.
2. Carrying out information campaigns on socio-economic issues relevant to the rural poor.
3. Building capacity of Common Interest Groups, VDCs' and Gram Panchayats for planning, financial management and implementation of the sub-projects and other matters related to village development through provision of consultants' services, including NGOs services, and training.
4. Reorientation/sensitization of the staff of Line Departments seconded to the Project, and financial institutions in the Project Districts to the needs of rural poor, including technical support for implementation of the sub-projects through provision of consultants' services, including NGOs' services and training.
5. Facilitating linkages between Common Interest Groups and lending institutions to meet the credit needs of such groups through provision of consultants' services, including NGOs' services, and training.
6. Strengthening of SPU and DPUs through provision of office equipment, vehicles, consultants' services, and incremental operating costs.
7. Carrying out monitoring and evaluation of the Project activities, including base line survey and impact assessment, and establishing learning systems for the Project.

Part B: Community Investments

Carrying out of sub-projects covering social, economic and infrastructural activities including: (i) group based income generating activities; (ii) infrastructure investments; and (iii) skills and organization.

\* \* \* \*

The Project is expected to be completed by December 31, 2005.

