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**CREDIT NUMBER 3749 IN**

# **Project Agreement**

**(Chhattisgarh District Rural Poverty Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**STATE OF CHHATTISGARH**

**Dated August 18, 2003**

Public Disclosure Authorized



**CREDIT NUMBER 3749 IN**

**PROJECT AGREEMENT**

AGREEMENT, dated August 18, 2003, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), and STATE OF CHHATTISGARH, acting by its Governor (Chhattisgarh).

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-two million two hundred thousand Special Drawing Rights (SDR 82,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Chhattisgarh agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement and in this Agreement;

WHEREAS Chhattisgarh, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has 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) Chhattisgarh declares its 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 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, Chhattisgarh shall carry out the

Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

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) Chhattisgarh 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, Chhattisgarh 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 and Chhattisgarh, a plan satisfactory to the Association for the future operation of the Project.

Section 2.04. (a) Chhattisgarh 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) Chhattisgarh 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 Chhattisgarh of their obligations under this Agreement.

### **ARTICLE III**

#### **Financial Covenants**

Section 3.01. (a) Chhattisgarh 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.

(b) Chhattisgarh 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 3.02. (a) Without limitation on the reporting obligations under Section 3.01 of this Agreement, Chhattisgarh shall prepare and furnish to the Association separate financial monitoring reports, (each such a Financial Monitoring Report) in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association no later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## ARTICLE IV

### **Effective Date; Termination; Cancellation and Suspension**

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Chhattisgarh 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 Chhattisgarh of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## ARTICLE V

### **Miscellaneous Provisions**

Section 5.01. 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  
Washington, D.C.

248423 (MCI)  
64145 (MCI)

(202) 522-1709

For Chhattisgarh:

Chief Secretary  
Government of Chhattisgarh  
Raipur  
Chhattisgarh, India

Facsimile:

222-1207

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Chhattisgarh may be taken or executed by its Chief Secretary or such other person or persons as Chhattisgarh shall designate in writing, and Chhattisgarh shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. 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/ Michael Carter

Country Director, India

STATE OF CHHATTISGARH

By /s/ M.K. Raut

Authorized Representative

## **SCHEDULE 1**

### **Procurement**

#### Section I. Procurement of Goods and Works

##### Part A: General

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

##### Part B: Procurement Procedures

#### 1. National Competitive Bidding

(a) Goods (other than for Part B of the Project) estimated to cost above \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$510,000 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 \$1,060,000 equivalent, 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 \$900,000 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 \$700,000 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 which are proprietary in nature, (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 \$300,000 equivalent; and



(b) Miscellaneous items (other than for Part B of the Project) estimated to cost less than \$500 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 \$99,300,000 equivalent, may be procured as follows:

(a) Works estimated to cost less than \$50,000 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.

(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 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 \$250,000 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 by the Beneficiary Institutions, first two contracts for goods and the first two contracts for works, all estimated to cost less than \$250,000 but more than \$50,000 the following procedures shall apply:

- (i) prior to the selection of any supplier or contractor, Chhattisgarh shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any such contract, Chhattisgarh 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.

(c) with respect to the first two Sub-project contracts by the Beneficiary Institutions the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Bank 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

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, January 1999 and May 2002 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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 \$500,000 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

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 2, 3 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 2, 3 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 report on the comparison of the qualifications and experience of candidates, the qualifications, experience and the terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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. Chhattisgarh shall not later than January 31 of each year, starting 2004, 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. Chhattisgarh shall maintain the SPU with the staffing and responsibilities agreed with the Association.
3. Chhattisgarh shall cause the Beneficiary Institutions 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 Zilla Panchayats with the respective 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, all in accordance with the criteria and procedure specified in the Operations Manual.
5. Chhattisgarh shall carry out the Project in accordance with the agreed Environmental Management Framework and ensure that the environmental and social screening criteria are updated regularly throughout implementation of the Project and are at all times consistently and satisfactorily applied.
6. To ensure that the tribal population in the State benefit fully from the activities under the Project, Chhattisgarh shall implement, in a manner satisfactory to the Association, the Tribal Development Strategy.
7. Chhattisgarh shall select the NGOs assisting in the implementation of the Project in accordance with criteria and procedures agreed with the Association.
8. Chhattisgarh 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 September 30, 2005, 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, 2005, 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.

9. Chhattisgarh 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.

10. Chhattisgarh shall, for the purpose of implementing the Environmental Management Framework, retain consultants with terms of references satisfactory to the Association.