

CONFORMED COPY

LOAN NO. 585-IN

PROGRAMME LOAN AGREEMENT

(Orissa Tribal Empowerment and Livelihoods Programme)

between the

REPUBLIC OF INDIA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 18 December 2002

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PROGRAMME LOAN AGREEMENT

PROGRAMME LOAN AGREEMENT dated 18 December 2002 between the REPUBLIC OF INDIA acting by its President (the "Borrower") and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (the "Fund").

WHEREAS:

(A) the Borrower has requested a loan from the Fund for the purpose of financing the Orissa Tribal Empowerment and Livelihoods Programme described in Schedule 1 to this Agreement (the "Programme");

(B) the Programme will be implemented in three phases, under the Fund's Flexible Lending Mechanism;

(C) the Programme will be carried out through the State of Orissa (the "State") pursuant to a separate agreement, of even date herewith, between the Fund and the State (the "Programme Agreement");

(D) the Borrower expects to obtain from the United Kingdom of Great Britain and Northern Ireland, through the Department for International Development ("DFID") a grant (the "DFID Grant") approximately in the amount of forty million United States Dollars (USD 40 000 000) to partially finance the Programme, on terms and conditions to be set forth in a grant agreement (the "DFID Grant Agreement");

(E) the Borrower expects to obtain from the World Food Programme ("WFP") food assistance equivalent to twelve million three hundred thousand United States Dollars (USD 12 300 000) (the "WFP Food Assistance"), to support the Land and Water Management, Participatory Forestry Management, and Agricultural and Horticultural Development Sub-Components, on terms and conditions to be agreed between the Borrower and WFP; and

(F) the Loan will be administered by the Cooperating Institution to be appointed by the Fund;

WHEREAS, on the basis of the above and other considerations, the Fund has agreed to extend a loan to the Borrower on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Provisions

SECTION 1.01. *General Conditions.* The Fund's General Conditions for Agricultural Development Financing dated 2 December 1998 (the "General Conditions") are annexed to this Agreement, and all provisions thereof (whether or not expressly mentioned herein) are made an integral part hereof. If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of this Agreement shall govern, but no provision hereof shall limit the generality of any provision of the General Conditions.

SECTION 1.02. *Definitions.* (a) Wherever used in this Agreement, unless the context otherwise requires, the terms defined in the General Conditions and the Preamble to this Agreement shall have the respective meanings set forth therein.

(b) As used in this Agreement, the following terms shall have the following meanings:

“Actions” includes any treaty, convention, act, statute, code, rule, regulation, instruction, statutory instrument, order, decree, custom or other norm or practice having the force of law with respect to the Programme in the territory of the State. As used in this Agreement, the term “Actions” also includes the application and interpretation of any of the foregoing;

“AWPB” means the annual work plan and budget for carrying out the Programme during a particular Programme Year, as described in Section 3.02;

“Cooperating Institution” means the entity designated as such in Section 1.05;

“District” means any of the districts participating in the Programme: Phulbani, Gajapati, Kalahandi, Kandhamal, Koarput, Malkangiri, Nawarangpur and Rayagada;

“Facilitating NGO” means the entity described in paragraph 6 of Schedule 3;

“Fiscal Year” means each period beginning 1 April and ending 31 March;

“INR” means the currency of the Borrower;

“ITDA” means any of the Integrated Tribal Development Agencies participating in the Programme;

“Lead Programme Agency” means the Scheduled Tribes and Scheduled Castes Development Department, as the term is defined herein;

“Loan Closing Date” means the date six months after the Programme Completion Date, or such later date as the Fund may designate by notice to the Borrower and the Lead Programme Agency;

“Loan Service Payment Currency” means the currency specified in Section 2.07;

“MFI” means a micro-finance institution;

“NTFP” means non-timber forest products;

“Participant” means a member of the Target Group that participates in Programme activities;

“Phase I” or “First Phase” means the period commencing on the Effective Date and ending at the end of Programme Year 3;

“Phase II” or “Second Phase” means the period commencing at the beginning of Programme Year 4 and ending at the end of Programme Year 7;

“Phase III” or “Third Phase” means the period commencing at the beginning of Programme Year 8 and ending on the Programme Completion Date;

“Phase Review” means each of the two reviews described in Section 4.03;

“PRI” or *Panchayat Raj* institution means a local self-governing body established under the Constitution of the Borrower;

“PSU” means the Programme Support Unit referred to in paragraph 3 of Schedule 3;

“Programme Area” means the area referred to in paragraph 1 of Schedule 1;

“Programme Completion Date” means the end of Programme Year 10, as such date is calculated in accordance with the formula set forth in the definition of Programme Year herein, or such later date as the Fund may designate by notice to the Borrower;

“Programme Implementation Period” means the period between the Effective Date and the Programme Completion Date;

“Programme Party” includes (but is not limited to) the Lead Programme Agency and each ITDA, VDC, NGO and other service provider, and SHG that participates in Programme implementation;

“Programme Year” or “PY” means: (i) the period beginning on the Effective Date and ending on the following 31 March; and (ii) each period thereafter beginning on 1 April and ending on 31 March *provided, that* if the Effective Date falls on or after 30 September, PY 1 shall be deemed to begin on the following 1 April;

“Resource NGO” means the entity described in paragraph 6 of Schedule 3;

“SHG” means a self-help group formed to pool savings, obtain loans and extend sub-loans to its members;

“ST/SCDD” means the Scheduled Tribes and Scheduled Castes Development Department of the State of Orissa;

“TA” means technical assistance;

“US Dollars” or “USD” means the currency of the United States of America;

“VDC” means a village development committee;

“Village Assembly” means a community’s decision-making body;

“VRMP” means a Village resource management plan, as described in paragraph 9 of Schedule 3; and

“WDT” means a Watershed Development Team, as described in paragraph 7 of Schedule 3.

SECTION 1.03. *References and Headings.* Unless otherwise indicated, references in this Agreement to Articles, Sections or Schedules refer to Articles, Sections or Schedules of this Agreement. The descriptive headings of such Articles, Sections and Schedules are given for convenience of reference only and do not form an integral part of this Agreement.

SECTION 1.04. *Obligations of the Borrower and the Programme Parties.* The Borrower shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the

Lead Programme Agency and all other Programme Parties under this Agreement. To the extent any Programme Party enjoys legal personality separate from the Borrower, any reference to an obligation of such Programme Party in this Agreement shall be deemed an obligation of the Borrower to ensure that such Programme Party performs such obligation. The acceptance by any Programme Party of any obligation ascribed to it in this Agreement shall not affect the responsibilities and obligations of the Borrower hereunder.

SECTION 1.05. *Appointment of the Cooperating Institution.* The Fund intends to appoint the United Nations Office for Project Services (UNOPS) as the Cooperating Institution, with the responsibilities set forth in Article III (The Cooperating Institution) of the General Conditions, to administer the Loan and supervise the Programme, at the expense of the Fund, in accordance with the Cooperation Agreement. The Borrower hereby agrees to such appointment.

ARTICLE II

The Loan

SECTION 2.01. *The Loan.* The Fund agrees to extend a Loan to the Borrower in the principal amount of sixteen million fifty thousand Special Drawing Rights (SDR 16 050 000) for the purpose of financing the Programme.

SECTION 2.02. *Loan Account and Withdrawals.* The Fund shall open a Loan Account in the name of the Borrower and credit the principal amount of the Loan thereto. The Borrower may request withdrawals from the Loan Account from time to time between the Effective Date and the Loan Closing Date in various currencies in respect of Eligible Expenditures and otherwise in accordance with Schedule 2 (Allocation and Withdrawal of Loan Proceeds) hereof, and Article IV (Loan Account and Withdrawals) and Section 6.02 (Currencies for Withdrawals) of the General Conditions.

SECTION 2.03. *Special Account.* (a) The Borrower shall open and thereafter maintain in a bank, proposed by the Borrower and accepted by the Fund, a Special Account denominated in US Dollars for the purpose of financing the Programme with an authorised allocation of two million US dollars (USD 2 000 000) (the "Authorised Allocation"). The Special Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.

(b) After the Special Account has been duly opened, upon the Borrower's request, the Fund shall make one or more withdrawals of up to one million US dollars (USD 1 000 000) in the aggregate from the Loan Account on behalf of the Borrower and deposit such amount in the Special Account. Commencing with Phase II, the Fund, upon the Borrower's request, may withdraw from the Loan Account up to the amount of the Authorised Allocation and deposit such amount into the Special Account;

(c) The Fund shall replenish the Special Account from time to time upon request, in accordance with Section 4.08 (Special Account) of the General Conditions, in such minimum amounts as the Fund, or the Cooperating Institution on behalf of the Fund, may specify by notice to the Borrower;

(d) The Borrower shall operate the Special Account in accordance with Section 4.08 of the General Conditions.

SECTION 2.04. *Use of Proceeds.* The Borrower and each Programme Party shall use the proceeds of the Loan exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions. Without limiting the generality of the foregoing, it is agreed and understood that it is the policy of the Fund that Loan proceeds not be used to pay taxes, including (but not limited to) any taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Loan.

SECTION 2.05. *Service Charge.* The Borrower shall pay to the Fund a service charge at the rate of 0.75% per annum on the amount of the Loan outstanding from time to time, payable semi-annually on each 15 April and 15 October in the Loan Service Payment Currency.

SECTION 2.06. *Repayments of Principal.* The Borrower shall repay the outstanding principal amount of the Loan in sixty (60) equal semi-annual instalments of SDR 267 500, payable on each 15 April and 15 October, commencing on 15 October 2012 and ending on 15 April 2042, in the Loan Service Payment Currency.

SECTION 2.07. *Loan Service Payment Currency.* The currency of the United States of America shall be the Loan Service Payment Currency for purposes of this Agreement.

ARTICLE III

The Programme

SECTION 3.01. *Programme Implementation.* The Borrower declares its commitment to the goals and purposes of the Programme as stated in Schedule 1 and, in furtherance of such goals and purposes, the Borrower shall ensure that the Lead Programme Agency and each of the other Programme Parties shall carry out the Programme:

- (a) with due diligence and efficiency;
- (b) in conformity with all appropriate administrative, engineering, financial, economic, operational, environmental, agricultural development practices (including rural development practices) and good governance;
- (c) in accordance with plans, design standards, specifications, procurement, work schedules and construction methods agreed by the Borrower and the Cooperating Institution;
- (d) with the full participation of all stakeholders, in particular the Participants;
- (e) substantially in accordance with the AWPBs;
- (f) otherwise in accordance with this Agreement (in particular, Schedules 3 and 3A hereto) and any other Loan Document; and
- (g) so as to ensure the sustainability of its achievements over time.

SECTION 3.02. *Annual Work Plans and Budgets.* (a) The PSU shall prepare a draft annual work plan and budget ("AWPB") for each Programme Year. Each draft AWPB shall include, among other things, a detailed description of planned Programme activities during the coming Programme Year, and the sources and uses of funds therefor, based on the respective VRMPs or work plans and budgets prepared by each of the Programme Parties, in accordance with paragraph 9 of Schedule 3.

(b) The PSU shall submit each draft AWPB to the PSC for its approval, then to the Fund and the Cooperating Institution, for their respective comments and approval, no later than sixty (60) days before the beginning of the relevant Programme Year. If neither the Fund nor the Cooperating Institution comments on the draft AWPB within 30 days after receipt, the AWPB shall be deemed approved.

(c) The PSC shall adopt each AWPB approved by the Fund and the Cooperating Institution, and the PSU shall provide copies thereof to the Fund and the Cooperating Institution, prior to the commencement of the relevant Programme Year.

(d) If required, the PSU, through the Lead Programme Agency, may propose adjustments to the AWPB during the relevant Programme Year, which shall become effective upon approval by the Borrower, the Cooperating Institution and the Fund.

SECTION 3.03. *Programme Accounts.* (a) The PSU shall open and thereafter maintain, in a bank proposed by the Lead Programme Agency and accepted by the Fund, a current account denominated in INR for Programme operations (the "PSU Programme Account"). The PSU shall endeavor to ensure that the PSU Programme Account be protected against set-off, seizure or attachment on terms and conditions proposed by the PSU and accepted by the Fund. The Programme Director and the Financial and Administration Officer shall be fully authorised to operate the PSU Programme Account.

(b) Each ITDA shall open and thereafter maintain, in a bank proposed by the ITDA and accepted by the Fund, a current account denominated in INR for Programme operations (each an "ITDA Programme Account"). The Programme Administrator of each ITDA shall be fully authorised to operate the relevant ITDA Programme Account.

(c) Each VDC shall open and thereafter maintain, in the local branch of a commercial bank, a current account denominated in INR for Programme operations (each an "VDC Programme Account"). The Chairperson of each VDC shall be fully authorised to operate the relevant VDC Programme Account.

SECTION 3.04. *Availability of Loan Proceeds.* (a) The Borrower shall make the proceeds of the Loan available to the State in accordance with the AWPBs and its customary national procedures for the transfer of external funding to carry out the Programme.

(b) The Borrower shall ensure that the State makes the proceeds of the Loan available to the Lead Programme Agency and each other Programme Party in accordance with the AWPBs and the Programme Agreement to carry out the Programme.

SECTION 3.05. *Availability of Additional Resources.* (a) In addition to the proceeds of the Loan, the Borrower shall make available to the Lead Programme Agency and each other Programme Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme in accordance with this Agreement.

(b) Without limiting the generality of paragraph (a) above, the Borrower shall ensure that the State makes available to the Lead Programme Agency counterpart funds from its own resources, in an aggregate amount of approximately USD 9 567 000 in accordance with Section 2.02 of the Programme Agreement.

(c) Without limiting the generality of paragraph (a) above, the Borrower shall make the DFID Grant and the WFP Food Assistance available to the Lead Programme Agency and each other Programme Party in accordance with the AWPBs upon their availability thereof.

SECTION 3.06. *Procurement.* All procurement financed by the proceeds of the Loan shall be carried out in accordance with Schedule 4.

SECTION 3.07. *Programme Completion Date.* The Programme Parties shall complete the implementation of the Programme on or before the Programme Completion Date.

ARTICLE IV

Implementation Reporting and Information

SECTION 4.01. *Monitoring.* The PSU shall establish, as soon as practicable but in no event later than 180 days after the Effective Date, and thereafter maintain an appropriate information management system to enable it to continuously monitor the Programme in accordance with paragraph 16 of Schedule 3 hereto and Section 8.02 (Monitoring of Programme Implementation) of the General Conditions, based on indicators agreed by the State and the Fund, in consultation with the Participants.

SECTION 4.02. *Progress Reports.* The PSU shall submit to the Fund and the Cooperating Institution semi-annual and annual progress reports on Programme implementation, in accordance with paragraph 3.3 (d) of Schedule 3 and as required by Section 8.03 (Progress Reports) of the General Conditions, no later than 30 June and 31 December each Programme Year during the Programme Implementation Period.

SECTION 4.03. *Phase Reviews.* (a) The Borrower, the Lead Programme Agency, the Fund, the Cooperating Institution and the Participants shall jointly carry out a review of Programme implementation at the beginning of the second half of each of the third and seventh Programme Years (each a "Phase Review").

(b) Each Phase Review shall consider progress as well as constraints regarding achievement of Programme objectives, and recommend such reorientation as may be required to achieve such objectives. Such progress and/or constraints shall be evaluated based on terms of reference prepared by the Lead Programme Agency and approved by the Fund. Specific trigger indicators, described in paragraphs 17 and 18 of Schedule 3, shall set the minimum threshold to be met in order for the Programme to proceed to the following Phase. The Fund shall determine whether the trigger indicators have been met.

(c) The results of each Phase Review and the recommendations thereon shall be communicated to the Fund, and shall be the basis upon which (i) the Fund shall determine whether its funding for the Programme shall continue during the following Phase, and (ii) in the event that the Fund shall continue its funding for the Programme, a mutually accepted action plan and design for the following Phase shall be formulated. The Borrower hereby acknowledges that unsatisfactory performance during any Phase, as evaluated according to the terms of reference and trigger indicators set forth in sub-section (b) above, may result in a decision by the Fund to delay the commencement of, or cease funding for, the following Phase.

(d) Should the Fund decide to:

- (i) cease funding for the Programme, any unused Loan proceeds shall be cancelled;
- (ii) delay the commencement of the following Phase of the Programme, the Borrower agrees to take any corrective action as recommended and communicated by the Fund. A second review shall be conducted in accordance with the procedures set out in paragraphs (a) and (b) above. The results of such review shall be communicated

to the Fund, which shall then make a final determination as to whether to continue to the following Phase or to cease funding under the Programme. The delay shall not extend beyond one year, during which period the Borrower shall not incur eligible expenditures; or

- (iii) proceed with the following Phase of the Programme, the Borrower and the Fund shall agree on an action plan and design for the following Phase, based on the findings of the current Phase Review. Such action plan and design shall be finalised no later than two months prior to the end of the current Phase, and shall result in reallocations of Loan proceeds and/or other modifications to the Loan Documents.

(e) The Borrower shall ensure that, should the Fund decide that the Programme shall continue to the following Phase, the recommendations resulting from the current Phase Review are implemented within the time specified therefor and to the satisfaction of the Fund. It is agreed and understood that such recommendations may result in modifications to the Loan Documents or cancellation of the Loan. It is further agreed and understood that failure to implement the recommendations resulting from any Phase Review within the time specified may result in cancellation of the Loan.

SECTION 4.04. *Completion Report.* The Borrower shall submit to the Fund and the Cooperating Institution the completion report on the Programme required by Section 8.04 (Completion Report) of the General Conditions no later than six months after the Programme Completion Date. In addition to those matters specified in said Section 8.04, the completion report shall evaluate the effectiveness of the Programme in achieving its overall objective of enhancing livelihood security.

SECTION 4.05. *Evaluations.* The Borrower and each Programme Party shall facilitate all evaluations and reviews of the Programme that the Fund may carry out during the Programme Implementation Period and for ten years thereafter, as required by Section 10.05 (Evaluations of the Programme) of the General Conditions.

ARTICLE V

Financial Reporting and Information

SECTION 5.01. *Financial Statements.* The Lead Programme Agency shall prepare the financial statements of the operations, resources and expenditures related to the Programme required by Section 9.02 (Financial Statements) of the General Conditions in respect of each six-month period during each Fiscal Year and deliver such financial statements to the Fund and the Cooperating Institution within four months after the end of each such period.

SECTION 5.02. *Audit Reports.* (a) Within 90 days after the Effective Date, the Borrower shall designate or appoint, with the prior approval of the Fund, the Controller and Auditor-General of the Borrower or any independent auditors selected in accordance with the procedures and criteria agreed upon by the Fund to audit the accounts relating to the Programme for each Fiscal Year until the Closing Date.

(b) The Borrower shall have the accounts and financial statements relating to the Programme audited each Fiscal Year by such auditors in accordance with the International Standards on Auditing. In accordance with Section 9.03 of the General Conditions, in addition to the audit report on the Financial Statements, the Controller and Auditor-General or such other auditors shall provide: (i) a separate opinion on the certified statements of expenditure and the operation of the Special Account; and (ii) a separate management letter, addressing the adequacy of the accounting and internal control systems. The Lead Programme Agency shall deliver the above-mentioned items to the State, the Fund and the Cooperating Institution within six months after the end of such Fiscal Year. The reply to the

management letter of the auditors shall be submitted by the Lead Programme Agency to the Fund within one month of receipt thereof.

ARTICLE VI

Remedies of the Fund

SECTION 6.01. *Suspension.* The Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account in accordance with Section 12.01 (Suspension by the Fund) of the General Conditions, upon the occurrence of any of the events set forth therein or any of the following events:

(a) in consultation with the Borrower, the Fund has determined that a repeal, invalidation suspension, amendment or other change to any existing Action, or a failure to take any new Action necessary to Programme implementation as set forth in paragraph 7 of Schedule 3A, has had, or is likely to have, a material adverse effect on the Programme or the obligations of any Programme Party under the Loan Documents; or

(b) the recommendations and action plan and design resulting from any Phase Review have not been implemented to the satisfaction of the Fund within the time specified therefor.

SECTION 6.02. *Cancellation.* The Fund may terminate the right of the Borrower to request withdrawals from the Loan Account in accordance with Section 12.02 (Cancellation by the Fund) of the General Conditions, upon the occurrence of any of the events set forth therein or any of the following:

(a) any Phase Review has recommended that the Programme be terminated; or

(b) the Fund has determined that the trigger indicators necessary for continuing to the next Phase have not been met.

SECTION 6.03. *Acceleration.* The Fund may declare the outstanding principal amount of the Loan, together with all accrued and unpaid service charges thereon, immediately due and payable in accordance with Section 12.05 (Acceleration of Maturity) of the General Conditions, upon the occurrence of any of the events set forth therein.

SECTION 6.04. *Audits.* If the Borrower does not timely furnish any audit report required by Section 5.02, and the Fund, after consultation with the Borrower, determines that the Borrower is unlikely to do so within a reasonable period thereafter, the Fund, or the Cooperating Institution on behalf of the Fund, may engage independent auditors of its choice to audit the accounts relating to the Programme. For such purpose, the Borrower and the Programme Parties shall make their financial and other records available to such auditors promptly upon request, accord them full rights and privileges as agents of the Fund under Section 10.03 (Visits, Inspections and Enquiries) of the General Conditions and otherwise cooperate fully with such audit. The Fund shall make the audit report available to the Borrower promptly upon its completion. The Borrower hereby authorises the Fund to finance the cost of such audit by withdrawal from the Loan Account on behalf of the Borrower.

SECTION 6.05. *Other Remedies.* The remedies of the Fund set forth in this Article shall not limit or otherwise prejudice any rights or remedies available to the Fund under the General Conditions or otherwise.

ARTICLE VII

Effectiveness

SECTION 7.01. *Conditions Precedent to Effectiveness.* This Agreement shall become effective in accordance with Article XIII (Effectiveness and Termination) of the General Conditions subject to the fulfilment of the following conditions precedent:

- (a) the PSC shall have been duly established in accordance with paragraph 2 of Schedule 3;
- (b) the PSU shall have been duly established in accordance with paragraph 3 of Schedule 3, and all necessary delegations of authority shall have been issued in accordance with paragraph 3.1 of Schedule 3;
- (c) the Programme Director and the Financial and Administration Officer shall have been duly appointed in accordance with paragraph 4.1 of Schedule 3, and a delegation of authority shall have been issued in accordance with paragraph 3.1 of Schedule 3;
- (d) all necessary measures toward restructuring each ITDA as set forth in paragraph 5 of Schedule 3 shall have been taken, including any Action taken pursuant to paragraph 1 of Schedule 3A;
- (e) the Borrower shall have duly opened the Special Account in accordance with Section 2.03;
- (f) the PSU shall have opened the PSU Programme Account in accordance with Section 3.03 (a);
- (g) this Agreement shall have been duly signed, and the signature and performance thereof by the Borrower shall have been duly authorised and ratified by all necessary corporate, administrative and governmental action;
- (h) the Programme Agreement shall have been duly signed and a favourable legal opinion shall have been issued by the Advocate General of the State in respect of the Programme Agreement's legally binding nature upon the State; and,
- (i) a favourable legal opinion, issued by the the Solicitor General of the Borrower, in respect of the matters set forth in Section 7.02 herein and in form and substance acceptable to the Fund, shall have been delivered by the Borrower to the Fund.

SECTION 7.02. *Legal Opinion.* The legal opinion required by Section 7.01 shall favourably address the following matters:

- (a) the conditions precedent specified in paragraphs (b)-(d) and (g) of Section 7.01 have been fulfilled; and
- (b) this Agreement is legally binding upon the Borrower in accordance with its terms and supported by the full faith and credit of the Borrower.

SECTION 7.03. *Deadline for Effectiveness.* If this Agreement does not become effective within 120 days after the date hereof or such later date as the Fund may designate, the Fund may terminate this Agreement and the other Loan Documents as provided in Section 13.03 (Termination before Effectiveness) of the General Conditions.

ARTICLE VIII

Miscellaneous

SECTION 8.01. *Representatives.* Each of the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary and Under Secretary of the Department of Economic Affairs of the Borrower, or the respective nominee, is designated as representative of the Borrower for the purposes of Section 15.03 (Authority to Take Action) of the General Conditions.

SECTION 8.02. *Communications.* Except as otherwise expressly provided in the Loan Documents or requested by the Fund, the Borrower shall address all communications relating to this Agreement to both the Fund and the Cooperating Institution, except for:

- (a) withdrawal applications (Section 4.04 of the General Conditions) and communications regarding procurement (Schedule 4 to this Agreement), which the Borrower shall address to the Cooperating Institution only; and
- (b) communications regarding Loan Service Payments (Sections 2.05, 2.06 and 2.07 of this Agreement; Articles V and VI of the General Conditions), which the Borrower shall address to the Fund only.

SECTION 8.03. *Addresses.* The following addresses are specified for all notices, requests, reports and other communications given or made under this Agreement:

For the Borrower:

Secretary to the Government of India
Ministry of Finance
Department of Economic Affairs
North Block
New Delhi, India

Facsimile Numbers: (009111) 3012477
(009111) 3017511

For the Fund:

International Fund for Agricultural Development
Via del Serafico, 107
00142 Rome
Italy

Facsimile Number: (003906) 5043463

For the Cooperating Institution:

United Nations Office for Project Services (UNOPS)
405 Lexington Avenue, 4th Floor
New York, N.Y. 10174
United States of America

Facsimile Numbers: (001212) 4574001
(001212) 4574002
(001212) 4574003

Copy to:

United Nations Office for Project Services (UNOPS)
Level 8, Wisma Amanah Raya Berhad
15 Jalan Seri Semantan 1, Off Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia

Facsimile Number: (00603) 257 5655

Copy to:

Secretary to the Government of Orissa
Scheduled Tribes/Scheduled Castes Development Department
Government of Orissa
Secretariat,
Orissa, India

Facsimile Number: (0091) 674 412249

SECTION 8.04. *Language of Communications.* All notices, requests, reports, documents and other information and communications relating to this Agreement, the Loan and the Programme (including the reports required by Articles IV and V) shall be in the English language.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have signed this Agreement in Rome, Italy, as of the date first above written.

REPUBLIC OF INDIA
ACTING BY ITS PRESIDENT

Signed by:

(Himachal Som)

Authorised Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Signed by:

(Lennart Båge)

President

SCHEDULE 1

Programme Description

1. *Programme Area.* The Programme shall be carried out in 30 blocks with high tribal concentrations in the northern tribal belt and in the following Southwestern districts of the State: Phulbani, Gajapati, Kalahandi, Kandhamal, Koarput, Malkangiri, Nawarangpur and Rayagada (the "Programme Area").
2. *Target Group.* The Programme shall benefit both tribal and non-tribal households in Programme Area villages comprised of at least 60% scheduled tribes or scheduled castes, as selected through participatory rural appraisal ("PRA") or other participatory methodologies. Priority shall be given to marginalised or in the process of marginalisation groups, namely women, Primitive Tribal Groups (PTGs), hill cultivators, landless and marginal farmers and scheduled castes.
3. *Village Selection.* The State shall ensure that the villages selected under the Programme shall have no less than 60% tribal and scheduled caste population, and shall otherwise conform to selection criteria to be agreed upon by the Fund and the Borrower.
4. *Goal.* The overall goal of the Programme is to sustainably improve the livelihood security of poor households by promoting efficient, equitable, self-managed and sustainable exploitation and conservation of natural resources and development of non-farm enterprises.
5. *Purposes.* The purposes of the Programme are to: (a) build the capacity of marginal groups and grassroots institutions; (b) enhance access to and productivity of natural resources in an environmentally sustainable and socially equitable manner; (c) encourage and facilitate off-farm enterprise development; (d) improve access to public food supplies; (e) strengthen the institutional capacity of government agencies, PRIs, and civil society to work effectively for participatory poverty reduction with tribal communities and also to ensure effective implementation of legislation governing tribal control of, and access to, development resources, and recommend policy improvements; and (f) build on indigenous knowledge and technological innovations, to achieve development goals more rapidly and effectively.
6. *Components.* The Programme shall employ a flexible, demand-driven approach in the planning and implementation of Programme activities, which shall fall under the following Components:
 - (a) *Capacity Building for Empowerment Component.*
 - (i) *Community capacity-building.* Create mechanisms that foster community-level decision-making and planning and implementation of development initiatives. Activities shall be identified in the participatory planning process, generally falling under the following types of activities: creating awareness on tribal rights and gender and equity issues; conducting micro-planning exercises to identify and prioritise development needs; and assisting in the formulation and implementation of development proposals.
 - (ii) *Support agency capacity-building.* Strengthen the capacity of government and NGO staff members to work effectively with communities. Specific activities shall be identified in collaboration with, and tailored to the needs of, each agency and shall cover, e.g., providing training in participatory methodologies, resource management technical skills, and gender sensitisation, and conducting exposure visits to other development projects.

- (b) *Livelihoods Enhancement Component.* This Component shall be comprised of six sub-components:
- (i) Land and Water Management. A Land and Water Management Fund shall finance the implementation of financially viable watershed development solutions aimed at increasing farmers' productivity and income. Specific interventions shall be selected by each community and shall include, among other things, constructing irrigation works such as tanks and diversions weirs, and implementing soil and water conservation techniques.
 - (ii) Participatory Forest Management. A Participatory Forest Management ("PFM") Fund shall finance the implementation of community micro-plans for artificial regeneration and soil conservation, including: the cost of seedlings; labour costs; establishing and training PFM committees; demarcating village forestry areas; establishing nurseries to provide seedlings for forest treatment works; with priority given to women and disadvantaged groups. The PFM Fund shall also train and support SHGs in non-timber forestry products ("NTFP") production and marketing, and finance action research and studies and local consultant services to provide ongoing guidance for forest management.
 - (iii) Agricultural and Horticultural Development. Improve agricultural productivity through training and demonstrations in, among other things, improved cultural practices, improved varieties, and crop sequencing and rotation, and changes in shifting cultivation. This Component shall also finance adaptive on-farm research and related activities to add value to agriculture and marketing and other support services.
 - (iv) Livestock and Aquacultural Development. Address animal health constraints by training community members as Livestock Link Workers (LLW) to diagnose and treat ailing livestock and creating a Veterinary Drugs Fund to provide LLWs with veterinary medicine, which shall be replenished by charging fees to livestock owners. Introduce improved practices for small stock and fish farming, including the development and introduction of alternative low-cost feed regimes.
 - (v) Rural Financial Services. Promote and build the capacity of existing and new self-help groups (each a "SHG"); supplement member savings with equity capital contributions; and facilitate SHG linkages with MFIs. Provide entrepreneurial skills training and support facilities, in particular for stakeholders involved in non-farm activities, raise awareness among bankers toward tribal communities through participatory workshops and seminars, and provide limited funds to ITDA to supplement interim lending to SHGs pending their linkage with MFIs.
 - (vi) Community Infrastructure. The Programme shall establish a Community Infrastructure Fund, which shall mainly serve small and remote communities not covered by other rural infrastructure programmes. Communities shall identify infrastructure constraints and submit proposals to Programme management. Works eligible for funding shall include, among other things, the construction and/or improvement of the following: drinking water works; village roads; storage facilities; community workshops for non-farm activities; community-managed economic infrastructure works such as mills and expellers; and community buildings.
- (c) *Policy Initiatives Support Component.* Enhance the evolution and implementation of policy initiatives that impact the development of tribal communities, by:

- (i) establishing a legal defence fund to assist tribals in pursuing land alienation and restoration cases;
- (ii) assisting the State in meeting its expenses associated with establishing and operating mobile squads to detect land alienation cases, enforcing land restoration rulings, and enhancing the capacity of revenue courts to hear land restoration cases;
- (iii) establishing a Policy Support Fund in order to: (a) fund the survey of land between 10 and 30 degrees and issuing titles to tribals with respect to such land. All such land titles shall be issued in the name of both wife and husband and in consonance with tribal customary laws; (b) fund studies on key policy issues, such as tribal land alienation, displacement, indebtedness, food insecurity and tenancy; and (c) among other things, improve access to public food supply schemes until Programme benefits reach the communities, and to respond to the outcomes of the policy studies conducted pursuant to sub-paragraph (b) above.
- (d) *Development Initiatives Fund.* This Component shall provide additional funding to meet development needs as identified by the communities during the participatory planning processes, to be allocated on an annual basis.
- (e) *Programme Management.* This Component shall fund, among other things, staff salaries and training, annual review workshops, office equipment and furniture, vehicles, and administration expenses associated with the PSU and IDTAs. In addition to providing technical support for activities under other Programme components, this Component shall also support the following: knowledge management training; the development of appropriate means of diffusing development information into communities that take into consideration local languages, customs and folklore; the documentation of indigenous knowledge relevant to Programme activities; and the development of systems for diffusing such knowledge in the public domain. This Component shall also fund local technical assistance to develop and monitor the Programme's gender strategy and to review progress on policy initiatives.
- (f) *Food Handling.* Funding under this Component shall meet the cost of transport, storage and distribution of the WFP Food Assistance for the Land and Water Management, Participatory Forestry Management, and Agricultural and Horticultural Development Sub-Components, and the monitoring of its utilisation.

SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan, the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (Expressed in SDR)	% of Eligible Expenditures to be Financed
I. Vehicles, Equipment and Materials	100 000	100% net of taxes or 90%
II. Technical Assistance, contractual services, studies and training	570 000	100% net of taxes or 95%
III. Investment Fund	400 000	98% net of taxes or 96%
IV. Grant Fund	40 000	100%
V. Credit	15 000	100% of amounts disbursed by PMU for Programme Credit Funds for NGOs
VI. Development Initiatives Fund	210 000	100%
VII. Salaries and Allowances	90 000	85%
VIII. Other incremental Costs	20 000	75%
IX. Unallocated	205 000	
Sub-total Phase I	1 650 000	
Phase II	9 200 000	
Phase III	5 200 000	
TOTAL	16 050 000	

(b) The Fund may adjust the foregoing Table as it may deem necessary to enable it to exercise its rights under Section 6.04 (Audits). The Fund shall notify the Borrower of such adjustment, and such notice shall be deemed, *ipso facto*, to modify this Agreement.

(c) Funding for Phase II and Phase III of the Programme shall be determined by the Fund based on the findings of the First and Second Phase Reviews, respectively, as provided under Section 4.03 of this Agreement. Accordingly, the amounts for Phase II and Phase III shall be

allocated to Categories and available for disbursement following any decision by the Fund that it shall continue funding the Programme in Phase II and Phase III, respectively.

2. *Minimum Withdrawal Amounts.* Withdrawals from the Loan Account shall be made in amounts no less than USD 20 000 or its equivalent, or such other amount as the Fund may designate from time to time.

3. *Statements of Expenditure.* Withdrawals from the Loan Account may be made against certified statements of expenditure in respect of such Eligible Expenditures as the Fund may designate from time to time by notice to the Borrower. The records evidencing such expenditures need not be submitted to the Fund, but shall be retained by the Borrower for inspection by the representatives of the Fund and the Cooperating Institution, in accordance with Sections 4.07 (Statements of Expenditure) and 10.03 (Visits, Inspections and Enquiries) of the General Conditions.

4. *Conditions Precedent to Withdrawal.* The following shall be conditions precedent to withdrawal:

- (a) No disbursement shall be made to any VDC under the Land and Water Management Fund, Participatory Forest Management Fund, or Community Infrastructure Fund until such VDC has been duly formed and its Social and Financial Audit Sub-Committee has been established in accordance with paragraph 8.1 of Schedule 3; the VDC has entered into the ITDA Memorandum of Understanding, in accordance with paragraph 5.3 of Schedule 3 and approved by the Fund, and has opened its VDC Programme Account.
- (b) No disbursement shall be made to any NGO until such NGO has been duly selected in accordance with selection criteria approved by the Fund, and the NGO has entered into a memorandum of understanding with the relevant ITDA, in form and substance accepted by the Fund.

SCHEDULE 3

Programme Implementation

A. ORGANISATION

1. Lead Programme Agency

Designation and Responsibilities. ST/SCDD, in its capacity as Lead Programme Agency, shall have overall responsibility for the implementation of the Programme.

2. Programme Steering Committee

2.1. *Establishment.* The State shall establish and maintain throughout the Programme Implementation Period a Programme steering committee ("PSC").

2.2. *Composition.* The PSC shall be chaired by the Chief Secretary of the State and shall be comprised of a nominee of the Borrower, a representative from each of the following: the State's Koraput/Bolangir/Kalahandi Administrator; key line departments represented at the secretary level or higher; the State's Watershed Mission; National Bank for Agriculture and Rural Development; Small Industries Development Bank of India; NGOs; research institutes; and independent development experts. The Secretary ST/SCDD shall be the Member Secretary of the PSC.

2.3. *Responsibilities.* The PSC shall provide overall policy guidance and coordination for the Programme. To this end, the PSC shall:

- (a) provide conceptual, strategic and policy recommendations for the design and implementation of Programme activities;
- (b) review AWPBs, ensuring in particular adequate budgetary provisions;
- (c) review the progress of Programme implementation based on progress and monitoring reports, impact assessment studies, and make policy recommendations accordingly;
- (d) provide a forum for dialogue between state-level policy makers and field-level implementers of Programme activities;
- (e) review issues arising out of ITDA Project Level Committee and Management Committee meetings;
- (f) undertake such other tasks as may be required for the effective implementation of the Programme.

2.3.1. The PSC shall meet at least twice yearly during the first three Programme Years, and at least once yearly each following Programme Year, for the remainder of the Programme Implementation Period.

3. Programme Support Unit

3.1. *Establishment.* The State shall establish and maintain a Programme Support Unit (the "PSU") within the Lead Programme Agency. The PSU shall enjoy operational autonomy and, to this end, the State shall issue a delegation of authority to the Programme Director and any other key officer of the PSU to take any action necessary for Programme implementation. Within 150 days of the Effective Date, the key officers in the PSU shall have been recruited.

3.2. *Composition.* The PSU shall be headed by the Programme Director, who shall report to the Secretary of the ST/SCDD, and may include the following staff members: Planning and Monitoring Officer, Capacity-Building Officer, Livelihoods and Natural Resource Management Officer, Financial and Administration Officer, and MIS Manager. Key PSU staff members on secondment from the State shall normally serve for a minimum of three years, subject to their satisfactory performance as determined by the State, in agreement with the Fund.

3.3. *Responsibilities.* The PSU shall be responsible for the day-to-day implementation of the Programme. To this end, the PSU shall:

- (a) act as secretariat to the Lead Programme Agency for the purposes of the Programme;
- (b) coordinate and guide implementation of Programme activities;
- (c) coordinate preparation of the AWPBs;
- (d) prepare and submit consolidated progress reports, incorporating the quarterly progress reports submitted by each ITDA;
- (e) facilitate the flow of funds to the ITDAs and other Programme Parties, and monitor their use;
- (f) oversee the ITDAs in implementing Programme activities;
- (g) provide necessary services, including contracting consultants and other service providers;
- (h) coordinate preparation and implementation of the management information system;
- (i) liaise with the State administration, ITDAs, line agencies, and financial institutions to ensure coordination of Programme implementation;
- (j) prepare Programme financial statements;
- (k) prepare reimbursement claims for submission to the Department of Economic Affairs;
- (l) provide a forum for sharing ideas among Districts and in workshops; and
- (m) undertake such other tasks as may be set forth in the Programme Implementation Manual, or as the Fund and the Lead Programme Agency may agree.

4. Programme Director

4.1. *Appointment and Tenure.* Within three months of the Effective Date, the State shall appoint a qualified and experienced Programme Director ("PD"), accepted by the Fund. The PD shall serve at least until the end of Phase I, subject to satisfactory performance as determined by the State in agreement with the Fund, and any successor thereto shall have similar qualifications, serve under similar terms and conditions and be accepted by the Fund.

4.2. *Responsibilities.* The PD shall report directly to the Secretary, ST/SCDD and shall be responsible for day-to-day Programme operations including, *inter alia*, the following responsibilities:

- (a) ensuring that the PSU carries out its functions, as set forth in paragraph 3.3 above;
- (b) operating the PSU Programme Account;
- (c) recruiting PSU staff;
- (d) undertaking Programme procurement;
- (e) ensure that the Programme Accounts are audited annually and in accordance with Section 5.02 of this Agreement;
- (f) ensuring the timely submission of withdrawal applications;
- (g) overseeing ITDA field operations;
- (h) overseeing Programme training and monitoring and evaluation;

- (i) ensuring submission of quarterly ITDA progress reports and Programme progress reports pursuant to Section 4.02; and
- (j) finalising and executing contracts with NGOs and other service providers, including national and international consultants.

5. Integrated Tribal Development Agencies

5.1. *Designation and Composition.* For the purposes of the Programme, each ITDA shall endeavour to strengthen its autonomy as a registered society to permit it to operate bank accounts, hire staff from the government or the open market, including the Programme Administrator and the Financial and Administration Officer, and establish independent financial and personnel policies. The Project Level Committee shall establish a Management Committee, chaired by the District Collector, to provide regular management support, including the review and monitoring of Programme implementation. All staff shall be hired on renewable contracts. Within 150 days of the Effective Date, the key officers of each ITDA shall have been recruited including the Programme Administrator and the Financial and Administration Officer for each Phase I ITDA. The State shall not permit the transfer of government officers on secondment to the ITDA, unless requested by the Project Level Committee of the ITDA in writing to, and approved by, the State.

5.1.1. *ITDA Regulations.* Within 120 days of the Effective Date, the financial and personnel regulations of the First Phase ITDAs shall have been approved.

5.2. *Responsibilities.* Each ITDA shall be responsible for implementing the Programme activities in its District, including submitting quarterly progress reports to the PSU. For social mobilisation, capacity building and participatory planning activities, the ITDA shall enter into contracts with Facilitating and Resource NGOs, approved by the Fund. If the PSU and the ITDA jointly determine that no suitable NGO is available for carrying out the above activities, the State shall submit a proposal to the Fund to allow the ITDA to be involved in implementing such activities by obtaining the services of community service providers.

5.3. *ITDA Memoranda of Understanding*

5.3.1. Each ITDA shall enter into an agreement with each VDC in its District for Programme implementation and transfer of Loan proceeds (each an "ITDA MOU"). Each ITDA MOU shall provide, among other things, that:

- (a) The VDC declares its commitment to the goals and purposes of the Programme as stated in Schedule 1 to this Agreement and, to that end, shall carry out the planning and implementation of Programme activities as set forth in this Agreement and the Programme Implementation Manual;
- (b) The ITDA shall transfer funds for Programme activities to the VDC Programme Account as a grant, from time to time, in accordance with the AWPBs;
- (c) The VDC shall establish a Social and Financial Audit Sub-Committee and technical subcommittees as required;
- (d) the VDC shall open the VDC Programme Account in accordance with Section 3.03 (c) of this Agreement;
- (e) the VDC Programme Account and statements of expenditure shall be subject to audit by the ITDA; and

- (f) the VDC shall finance the maintenance of all works constructed under the Community Infrastructure Sub-Component, and shall enter into an agreement with any relevant authority as may be necessary to carry out such maintenance.

5.3.2. After each ITDA MOU has been signed and a copy thereof has been delivered to the Fund and the Cooperating Institution, the PD shall authorize the release of funds through the ITDA Programme Account to the relevant VDC Programme Account, in accordance with the AWPBs. The accrued interest shall remain in the ITDA Programme Account.

5.3.3. No ITDA MOU shall be amended or otherwise modified without the prior consent of the Fund.

6. NGOs and other service providers

6.1. *Selection.* The PSU shall recruit Facilitating and Resource NGOs to support Programme implementation as set forth below. All NGOs shall be selected through an open, competitive process, based on selection criteria approved by the Fund. Within 180 days of the Effective Date, each Phase I ITDA shall have prepared the short list of Facilitating and Resource NGOs.

6.2. *Responsibilities.* Facilitating NGOs shall support social mobilisation, capacity building and participatory planning activities. Resource NGOs, together with private sector providers and/or line departments, shall provide training and specific technical support for Programme implementation. Specific implementation responsibilities are set forth in Part B below.

7. Watershed Development Teams

7.1. *Establishment and composition.* Facilitating NGOs shall recruit multi-disciplinary Watershed Development Teams (each a "WDT") to provide technical support services for Programme implementation. Each WDT shall be comprised of the following experts, as appropriate: SHG and micro-finance capacity building; soil conservation; irrigation; training; accounting; agriculture, horticulture, forestry, marketing and legal affairs.

7.2. *Responsibilities.* Each WDT shall be responsible for providing technical assistance to communities, SHGs and NGOs for Programme implementation, as set forth in Part B below.

8. Village Development Committees

8.1. *Designation and Composition.* VDCs shall be formed with the assistance of Facilitating NGOs contracted by the relevant ITDA. Two-thirds of the members of the VDC shall be drawn from SHGs and/or user group office bearers, with the remainder selected by the Village Assembly to include two members of the PRI, including its ward member. Each VDC shall elect a Chairperson, Vice-Chairperson, Secretary and Treasurer, who shall form the Management Committee. Each VDC shall also establish a Social and Financial Audit Sub-Committee and Technical Sub-Committees, as necessary.

8.2. *Responsibilities.* Each VDC shall be responsible planning and implementing Programme activities at the community level, as set forth in Part B below.

B. IMPLEMENTATION OF PROGRAMME COMPONENTS

9. Planning of Programme Activities. Villages within each micro-watershed shall provide the basic units for planning of Programme activities. Through village-level Participatory Rural Appraisal diagnostic exercises, each village, under the guidance of NGOs and WDTs, shall evaluate its human and physical resource base, identify its development needs and constraints, and draw up its Village Resource Management Plan ("VRMP") for the development of its resources. The VRMP shall

identify priority actions at the community, group and household levels, and shall allocate implementation responsibilities among individuals and groups within the community, contracting with external agencies as appropriate. The VRMP shall be a flexible framework, to be modified according to each community's needs and opportunities that evolve throughout Programme implementation. Each ITDA shall consolidate the VRMPs into the District-level AWPB for submission to the PSU pursuant to Section 3.02 (a) of this Agreement.

10. Capacity Building Component

10.1. *Community Capacity Building.* Facilitating NGOs shall establish and strengthen SHGs, in particular among vulnerable groups, and VDCs, who shall then select and train village animators to provide technical service to Participants. As the Programme progresses, each of the above Programme Parties shall participate in carrying out community capacity-building activities.

10.2. *Support Agency Capacity Building.* The PSU shall lead training of governmental and non-governmental agencies in participatory methodologies, as well as in natural resource management technical skills and gender sensitisation. All Programme Parties shall undergo an initial training needs and strengths assessment conducted by a consulting firm contracted by the PSU.

11. Livelihoods Enhancement Component

11.1. *Land and Water Management.* Each community shall be responsible for identifying, planning and executing works under this Sub-Component. NGOs shall train village volunteers as Master Trainers (each a "MT") to guide and supervise the works under the guidance of the WDT. For works on private land, the MTs shall train community members to implement specific works and submit the information to the VDC for facilitating payment to the farmer. For works on public land, each VDC's Watershed Development Sub-Committee ("WDSC") shall select community members to undertake works, giving priority to the landless, and shall appoint a leader for each work group. The WDSC shall form and train user groups to plan, construct, operate and maintain community structures. WDT technical staff shall regularly inspect on-farm works to ensure quality.

11.2. *Participatory Forest Management.* Each Village Assembly shall form a Participatory Forestry Management Sub-Committee ("PFMSC") within each VDC from existing Vana Samrakshana Samithi members, to guide planning and implementation of forestry works. Each VDC shall enter into a memorandum of understanding with the Vana Samrakshana Samithi ("VSS") under the aegis State Forestry Department, to support implementation of activities under this Component. The VDC shall select members to receive training and subsequently guide community members in implementing forest treatment works, with technical support from the State Forestry Department.

11.3. *Agricultural and Horticultural Development.* This Sub-Component shall be implemented by the VDCs and its sub-committees, with the WDTs providing training and technical support to the communities. To this end, the VDC shall (i) identify and prioritise community development priorities; (ii) select farmers for demonstrations and on-farm trials; (iii) select community members to be trained as village area volunteers who shall, under the overall guidance of the WDT experts, supervise demonstrations and organise field days for information dissemination; and (iv) in consultation with the agriculture and horticulture experts, forward requests for adaptive research to the ITDAs, who shall draw up the composite adaptive research programme and contract competent research organisations through a process of competitive bidding.

11.4. *Livestock and Aquacultural Development.* This Sub-Component shall be implemented with support from the State Animal Husbandry Department ("AHD") and the Fish Farmers Development Agency ("FFDA"). AHD shall make available one livestock inspector per block to work exclusively with the Programme villages to participate in the micro-planning processes. Thereafter, the VDCs and Facilitating NGOs, in consultation with AHD and FFDA, shall identify and provide the necessary

implementation support identified by the communities. Each VDC shall appoint a community member, to be trained to provide basic veterinary care in the community on a fee basis.

11.5. *Rural Financial Services.* The Facilitating NGOs shall have primary responsibility for implementing this Sub-Component. To this end, each Facilitating NGO shall, among other things: (i) establish and/or strengthen SHGs by providing training in credit management and by monitoring and auditing SHG accounts; (ii) liaise with the ITDA for the provision of the Programme's equity contributions to the SHGs; and (iii) assist SHGs to link with banks and MFIs to access bulk loans. The ITDAs shall organise both regular workshops to sensitise bank staff to tribal communities, and roundtable workshops to establish linkages between the Facilitating NGOs and MFIs for micro-finance development support. Each SHG shall be fully responsible for setting the savings and credit terms for its group members. Each ITDA shall provide, on a limited basis, loans to SHGs pending SHG linkage with MFIs.

11.6. *Community Infrastructure.* Each ITDA shall establish a Selection Committee to screen and prioritise community requests for projects resulting from micro-planning exercises. Each VDC shall form a sub-committee to develop and implement the projects. The Rural Water Supply and Sanitation Department of the State shall implement drinking water supply projects. The ITDA shall contract for village road construction and improvement. VDCs, with NGO support, shall organise community members into Village Work Groups to negotiate sub-contracts with contractors for the above works. Community members shall implement the other categories of works. The ITDA shall be responsible for the design and final inspection of infrastructure works, and for the preparation of bills of quantity. Each community shall be fully responsible for financing and making arrangements for the operation and maintenance of community infrastructure works, except for that of village roads, to which the State shall contribute in accordance with its procedures.

12. Policy Initiatives Support Component

The PSU shall spearhead activities under this Component in collaboration with the relevant departments and agencies of the State, with support from research and other private entities.

13. Programme Management Component

The PSU and ITDAs shall implement this Component, with support from the following: specialist agencies shall undertake impact assessment and to process documentation and knowledge management; Resource NGOs shall document indigenous knowledge, focusing on natural resource management and agricultural practices; and technical services shall be contracted to develop and monitor the Programme's gender strategy.

14. Food Handling Component

This Component shall be implemented by WFP, which shall use the Tribal Development Cooperative Corporation ("TDCC") to arrange port clearance, transport and storage of the food up to the district level. Each ITDA shall be responsible for the distribution of food assistance to the VDCs, each of which shall distribute the food at the village level as well as maintain records, with support from NGOs.

15. Programme Implementation Manual

15.1. *Preparation.* The PSU shall prepare a draft Programme Implementation Manual as soon as practicable but in no event later than six months after the Effective Date. The Programme Implementation Manual shall include, among other things:

- (a) terms of reference and implementation responsibilities of all Programme staff and consultants;
- (b) Programme operating manuals and procedures;
- (c) the monitoring and evaluation system and procedures;
- (d) a detailed description of implementation arrangements for each Programme component; and
- (e) a model of a Memorandum of Understanding to be entered by the VDCs for the implementation of the Programme.

15.2. *Approval.* The PSU shall submit the draft Programme Implementation Manual to the PSC for approval. When so approved, the Lead Programme Agency shall forward the draft Programme Implementation Manual to the Fund and the Cooperating Institution for their comments and approval no later than eight months after the Effective Date.

15.3. *Adoption.* The PSC shall adopt the Programme Implementation Manual, substantially in the form approved by the Fund, and the Lead Programme Agency shall promptly provide copies thereof to the Fund and the Cooperating Institution. If neither the Fund nor the Cooperating Institution comments on the draft Programme Implementation Manual within 30 days after receipt, it shall be deemed approved. The Programme Implementation Manual shall be modified only with prior consent of the Fund.

16. Monitoring and Evaluation System

16.1. *Preparation.* The PSU shall contract an agency specialised in monitoring and evaluation to design the Programme's monitoring and evaluation system. The team shall collectively have expertise in participatory methods, computer and information technology, statistical methods and rural development practices.

16.2. *Provisions.* The monitoring and evaluation system shall include the following:

- (a) the organisation, staffing, location and status of the entity(ies) that shall be responsible for carrying out monitoring and evaluation under the Programme;
- (b) the work programme and proposed budget allocation for Programme monitoring and evaluation;
- (c) the schedule of reporting by the State to the Fund;
- (d) a computerised management information system; and
- (e) any other matter that the Fund may reasonably request.

16.3. *Approval.* The PSU shall finalise the monitoring and evaluation system no later than 180 days after the Effective Date, after taking into account the recommendations, if any, of the Fund, and shall implement the system in consultation with the Fund throughout the Programme Implementation Period.

C. PROGRAMME PHASING

17. *Phase II Triggers.* Unless otherwise agreed by the Fund, the following specific indicators shall be used, together with the findings of the first Phase Review, to confirm funding for, and the subsequent detailed design of, Phase II of the Programme, based on the findings of the first Phase Review:

- (a) the PSU and each ITDA has adequate staff in place, and have developed effective

management systems, including a management information system and concurrent evaluation systems;

- (b) at least 75% of the VDCs include representatives from marginalised groups that are involved in decision-making;
- (c) at least 70% of the VDCs have started the planning and implementation of Programme activities, including management disbursement of funds, mobilising voluntary labour contributions, and maintaining all assets created or rehabilitated with Loan proceeds;
- (d) at least 85% of the SHGs and VDCs, including sub-committees, meet on a regular basis; and
- (e) at least 75% of the Facilitating NGOs have demonstrated the ability to establish and manage effectively the WDTs, and are providing adequate technical support.

18. *Phase III Triggers.* Unless otherwise agreed by the Fund, the following specific indicators shall be used, together with the findings of the second Phase Review, to confirm funding for, and the subsequent detailed design of, Phase III of the Programme.

- (a) VDCs and other community institutions in Phase I villages are functioning;
- (b) village volunteers are continuing to provide services to the communities in Phase I villages;
- (c) Phase I villages have developed effective linkages with service providers and are furthering their development by accessing resources from other government programmes and financial institutions;
- (d) rural infrastructure works undertaken in Phase I are being effectively maintained; and
- (e) policy initiatives taken in Phase I are having a positive impact on tribal communities.

SCHEDULE 3A

Additional Covenants

1. *Actions.* The State shall endeavour to take any Actions required to:
 - (a) provide each ITDA with the financial, administrative and personnel autonomy necessary to permit it to carry out its responsibilities set forth in Schedule 3 and the Programme Implementation Manual;
 - (b) ensure inter-departmental cooperation; and
 - (c) otherwise facilitate Programme implementation.
2. The Borrower shall endeavour to ensure that the expertise and experience gained during the Programme in developing more appropriate and effective approaches to tribal development shall continue throughout the Programme Implementation Period.

SCHEDULE 4

Procurement

PART A. GENERAL

1. Procurement of goods and civil works financed by the Loan shall be subject to the provisions of the "Guidelines for Procurement under Financial Assistance from the International Fund for Agricultural Development of 1982", as such guidelines may be amended from time to time by the Fund (the "Procurement Guidelines"). If any provision of the Procurement Guidelines is inconsistent with a provision of this Schedule, then the latter shall govern.
2. Procurement of consultant services financed from the proceeds of the Loan shall be undertaken in accordance with procedures proposed by the Borrower and approved by the Fund.
3. To the extent possible, the goods, civil works and services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding. Before the commencement of procurement, the PSU shall furnish to the Cooperating Institution, for approval: (i) a list or lists of goods and services to be procured; (ii) the proposed grouping of these goods and services; and (iii) the proposed number and scope of civil works contracts to be awarded.
4. Procurement shall be undertaken only during the Programme implementation Period.
5. The threshold amounts specified in this Schedule 4 exclude Taxes.

PART B. PROCUREMENT OF CIVIL WORKS

6. *Local Competitive Bidding (LCB)*. Each contract for the supply of civil works shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Cooperating Institution.

PART C. PROCUREMENT OF GOODS

7. *Local Competitive Bidding (LCB)*. Each contract for the supply of goods, vehicles and equipment estimated to cost USD 25 000 equivalent or more shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the Cooperating Institution.
8. *Local Shopping*. Each contract for the supply of goods, vehicles and equipment estimated to cost USD 10 000 equivalent or more but less than USD 25 000 equivalent shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the Cooperating Institution.
9. *Direct Contracting*. Each contract for the supply of goods, vehicles and equipment estimated to cost less than USD 10 000 equivalent shall be awarded through direct contracting with the contractor/supplier, on terms and conditions approved by the Cooperating Institution.

PART D. PROCUREMENT OF CONSULTANT SERVICES

10. *International Competitive Bidding (ICB)*. Each contract for consultant services estimated to cost USD 100 000 equivalent or more shall be awarded following ICB procedures.
11. *Local Competitive Bidding (LCB)*. Each contract for consultant services estimated to cost USD 25 000 equivalent or more but less than USD 100 000 equivalent shall be awarded on the basis of competitive bidding advertised locally.

12. *Local Shopping.* Each contract for consultant services estimated to cost USD 10 000 equivalent or more but less than USD 25 000 equivalent shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the Cooperating Institution.

13. *Direct Contracting.* Each contract for consultant services estimated to cost less than USD 10 000 equivalent shall be awarded through direct contracting with the consultant, on terms and conditions approved by the Cooperating Institution.

14. *Tendering of Consultant Services.* The Borrower shall provide copies of the terms of reference and all bidding documents relative to the procurement of consultant services to the Fund for its prior review, comments and approval.

PART E. PREFERENCE REQUIREMENTS

15. *Procurement of Services.* In the procurement of consultant services, everything else being equal, preference shall be given to consultants from developing Member States of the Fund.

PART F. REVIEW OF PROCUREMENT DECISIONS

16. The award of any contract for goods, vehicles and equipment or civil works estimated to cost USD 100 000 equivalent or more shall be subject to prior review by the Cooperating Institution in accordance with the provisions of Annex 3 to the Procurement Guidelines.

17. The award of any contract for consultant services estimated to cost USD 100 000 equivalent or more shall be subject to prior review by the Cooperating Institution.

18. With respect to any other contract for goods, civil works or consultancy services (except where paragraph 4 of Schedule 2 applies thereto), the Borrower shall furnish two certified or conformed copies of such contract to the Cooperating Institution, together with the analysis of the respective bids and the recommendations for award, promptly after its signature and before the submission to the Cooperating Institution of the first application for withdrawal of funds from the Loan Account in respect of such contract.

19. Before agreeing to any material modification or waiver of the terms and conditions of any contract referred to in paragraphs 16 or 17 above, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) that would increase the cost of the contract by more than 10% of the original price, the Borrower shall inform the Cooperating Institution of the proposed modification, waiver, extension or change order and the reasons therefor. The Cooperating Institution, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

CONFORMED COPY

LOAN NO. 585-IN

PROGRAMME AGREEMENT

(Orissa Tribal Empowerment and Livelihoods Programme)

between the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

and the

STATE OF ORISSA

Dated 18 December 2002

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PROGRAMME AGREEMENT

PROGRAMME AGREEMENT dated 18 December 2002 between the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (the "Fund") and the STATE OF ORISSA OF THE REPUBLIC OF INDIA acting by its Governor (the "State").

WHEREAS:

(A) by the Programme Loan Agreement of even date herewith (the "Loan Agreement") between the Republic of India acting by its President (the "Borrower") and the Fund, the Fund has agreed to make available to the Borrower an amount in various currencies equivalent to sixteen million fifty thousand Special Drawing Rights (SDR 16 050 000) for the purpose of financing the Orissa Tribal Empowerment and Livelihoods Programme (the "Programme"), on the condition that the State undertakes its obligations toward the Fund as set forth in this Agreement; and

(B) the State, in consideration of the Fund entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Provisions

SECTION 1.01. *Definitions.* Wherever used in this Agreement, unless the context otherwise requires, the terms defined in the Loan Agreement, the General Conditions and the Preamble to this Agreement shall have the respective meanings set forth therein.

SECTION 1.02. *General Conditions.* The Fund's General Conditions for Agricultural Development Financing dated 2 December 1998 (the "General Conditions") are annexed to this Agreement and all provisions therein (whether or not expressly mentioned herein) are made an integral part hereof, *mutatis mutandi*. If any provision of this Agreement is inconsistent with any such provision of the General Conditions, the provision of this Agreement shall govern, but no provision hereof shall limit the generality of any such provision of the General Conditions, as such provision may be amended, in whole or in part, from time to time. Without prejudice to the generality of the foregoing, for purposes of this Agreement:

- (a) wherever the context requires, the term "Borrower" shall be deemed a reference to the State;
- (b) wherever the context requires, any obligation of the Borrower, either independently or jointly with the Lead Programme Agency/Programme Party(ies), to cause or ensure the taking of or forbearance from taking certain actions, shall be deemed a direct obligation of the State to the Fund to take or forebear from such action or to cause or ensure the taking of or forbearance from taking such actions; and

- (c) any obligation of any Programme Party or other implementing agency to take or forebear from taking any actions shall be deemed a direct obligation of the State to the Fund to cause such other Programme Party to take or forbear from taking, or to ensure that such other Programme Party takes or forbears from taking, such action.

SECTION 1.03. *References and Headings.* Unless otherwise indicated, references in this Agreement to Articles, Sections or Schedules refer to Articles, Sections or Schedules of this Agreement. The descriptive headings of such Articles, Sections and Schedules are given for convenience of reference only and do not form an integral part of this Agreement.

SECTION 1.04. *Obligations of the State.* The State shall be responsible to the Fund for the due and timely performance of all obligations ascribed to it and to all other Programme Parties under this Agreement, the Loan Agreement, and any other Loan Document. Any reference to an obligation of a Programme Party in this Agreement shall be deemed an obligation of the State to ensure that such Programme Party performs such obligation. The acceptance by any Programme Party of any obligation ascribed to it in this Agreement shall not affect the responsibilities and obligations of the State hereunder. The State shall ensure that each other Programme Party and implementing agency shall perform its respective obligations under the relevant Loan Documents in such a manner as to protect the interests of the Borrower and the Fund and to accomplish the purposes of the Loan.

ARTICLE II

Loan Proceeds and other Resources

SECTION 2.01. *Availability of Loan Proceeds.* The State shall make the Loan proceeds available to the Lead Programme Agency and each other Programme Party in accordance with the AWPBs to carry out the Programme.

SECTION 2.02. *Availability of Additional Resources.* (a) In addition to the proceeds of the Loan, the State shall make available to the Lead Programme Agency and each other Programme Party, promptly as needed, such funds, facilities, services and other resources as may be reasonably required from time to time to carry out the Programme in accordance with this Agreement and the Loan Agreement.

(b) Without limiting the generality of paragraph (a) above, the State shall make available to the Lead Programme Agency during the Programme Implementation Period counterpart funds from its own resources in an aggregate amount of approximately USD 9 567 000. For such purpose, as soon as practicable but in no event later than 60 days after the Effective Date, the State shall make available the required counterpart funds for the first three months of Programme implementation, and shall thereafter make available the counterpart funds called for in the AWPB for the relevant Programme Year, quarterly in advance.

SECTION 2.03. *Use of Proceeds.* The State shall ensure that the Loan proceeds are used exclusively to finance Eligible Expenditures in accordance with this Agreement, the Loan Agreement and the General Conditions. Without limiting the generality of the foregoing, it is agreed and understood that it is the policy of the Fund that Loan proceeds not be used to pay Taxes, including (but not limited to) any Taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Loan.

ARTICLE III

The Programme

SECTION 3.01. *General.* The State declares its commitment to the goals and purposes of the Programme, and agrees to carry out the Programme in accordance with the provisions of Section 3.01 to the Loan Agreement.

SECTION 3.02. *Programme Implementation.* The State shall ensure that:

- (a) the AWPBs and PRMPs are prepared and submitted in accordance with Section 3.02 and paragraph 9 of Schedule 3 of the Loan Agreement, respectively;
- (b) each ITDA and VDC opens the relevant ITDA Programme Account or VDC Programme Account, as the case may be, in accordance with Sections 3.03 (b) and (c) of the Loan Agreement, respectively;
- (c) each ITDA submits quarterly progress reports to the PSU for incorporation into the progress reports submitted under Section 4.02 of the Loan Agreement;
- (d) the implementation reviews and reports and the financial reports and audits are carried out in accordance with the provisions of Articles IV and V of the Loan Agreement, respectively;
- (e) all procurement financed from the proceeds of the Loan is carried out in accordance with Schedule 4 to the Loan Agreement; and
- (f) the additional covenants set forth in Schedule 3A to the Loan Agreement are fulfilled.

ARTICLE IV

Effectiveness, Termination

SECTION 4.01. *Effectiveness.* This Agreement shall come into force and effect on the date on which the Loan Agreement becomes effective. The Fund shall promptly notify the State of such date.

SECTION 4.02. *Termination.* This Agreement and all obligations of the Fund and the State hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

ARTICLE V

Miscellaneous

SECTION 5.01. *Representative.* The Governor of the State is designated as representative of the State.

SECTION 5.02. *Communications.* Except as otherwise expressly provided in the Loan Documents or requested by the Fund, the State shall address all communications relating to this Agreement to both the Fund and the Cooperating Institution, except for communications regarding

procurement (Schedule 4 to the Loan Agreement), which shall be addressed to the Cooperating Institution only.

SECTION 5.03. *Addresses.* The following addresses are specified for all notices, requests, reports and other communications given or made under this Agreement:

For the Fund:

International Fund for Agricultural Development
Via del Serafico, 107
00142 Rome
Italy

Facsimile Number: (003906) 5043 463

For the State of Orissa:

Principal Secretary to the Government of Orissa
Department of Finance
Government of Orissa
Secretariat, Bhubaneshwar,
Orissa, India (0091) 674 2403667

For the Cooperating Institution:

United Nations Office for Project Services (UNOPS)
Level 8, Wisma Amanah Raya Berhad
15 Jalan Seri Semantan 1, Off Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia

Facsimile Number: (00603) 257 5655

Copy to:

Secretary to the Government of Orissa
Scheduled Tribes/Scheduled Castes Development Department
Government of Orissa
Secretariat, Bhubaneshwar,
Orissa, India

Facsimile Number: (0091) 674 412249

SECTION 5.04. *Language of Communications.* All notices, requests, reports, documents and other information and communications relating to this Agreement, the Loan Agreement and the Programme (including the reports required by Articles IV and V of the Loan Agreement) shall be in the English language.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have signed this Agreement in Rome, Italy, as of the date first above written.

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Signed by:

(Lennart Båge)

President

STATE OF ORISSA
ACTING BY ITS GOVERNOR

Signed by:

(Himachal Som)

Authorised Representative

ATTACHMENT 2
MINUTES OF NEGOTIATIONS

India
Orissa Tribal Empowerment and Livelihoods Programme

Agreed Minutes of Negotiations

1. The negotiations between the Government of India (GOI), Government of Orissa and IFAD on the above project were held in IFAD Headquarters in Rome on 17 to 19 April 2002.
2. The negotiating delegations were composed of the following:

Government of India (the India Delegation)

Mr Dharmendra Sharma, Deputy Secretary, Department of Economic Affairs, Ministry of Finance, Government of India and Head of Delegation

Mr A. K. Samantray IAS, Principal Secretary, Scheduled Tribe and Caste Development, Welfare Department, Government of Orissa

Ms Kalpana Amar, Director, Ministry of Tribal Affairs, Government of India

IFAD (the IFAD Delegation)

Mr Shyam Khadka, Country Portfolio Manager and Head of Delegation

Ms Silvie Martin, Legal Officer

Mr John McGhie, Loan Officer

3. Negotiations were conducted on the basis of the draft Project Loan Agreement dated 4 April 2002, the Project Agreement dated 4 April 2002, and the Project Appraisal Report dated January 2002. The draft Loan Agreement was discussed, amendments agreed upon and the negotiated text of the Project Loan Agreement dated 19 April 2002 was initialled.
4. These minutes record the understanding reached and agreed in respect of various provisions of the negotiated text of the Loan and Project Agreements.

Programme Loan Agreement

5. **Project Area** (Section 1.02, Schedule 1, para 1). In view of the need to ensure the contiguity of the project area, it was agreed that the district of Sundargarh will not form part of the project area. The new district of Phulbani, along with Kandhamal, created by splitting earlier district of Phulbani will be part of the project. The blocks to be included under the programme area will be adjusted accordingly.
6. **Audit** (Section 5.02): On audit, the India Delegation clarified that the Government of India (GOI) funds are subject to the CAG audit as per the prevailing provisions, even after the independent auditors have undertaken the auditing. This was noted by the IFAD Delegation.
7. **Cost estimates**. On the overall level of administrative and project management costs, the IFAD Delegation noted the concern of the delegates from the India Delegation on this component's share being relatively high in the overall project costs. In this respect, IFAD Delegation stated that since the project is highly participatory in nature and plans to invest significantly on grassroots institution building, it requires intensive efforts and related costs. Overall, it further stated, the estimates compare highly favourably with projects of similar nature. It was further clarified that the staffing schedule and the unit costs are of recommendatory nature, to be determined by the GOO following appropriate

procedure and the reimbursement by IFAD will be based on actual costs incurred by the Programme and reallocations among categories may be requested.

8. **Eligible expenditure** (Schedule 2). The IFAD Delegation explained to the India Delegation that the Programme Loan Agreement reflects the maximum financing eligible by IFAD irrespective of the co-financing arrangement. In the event that the DFID funding is decided to be channelled through the Fund, it will be on the basis of *pari passu*. A proportion to divide the total reimbursable expenditures between the IFAD loan and DFID grant will then be agreed upon and the eligible percentage of IFAD loan will be accordingly reduced.

9. **Forestry**. On the issue of management of the forestry, the India Delegation clarified that the joint forestry management approach provides the legal and administrative framework for forestry management and the programme needs to adopt the same. This was noted by the IFAD Delegation.

10. **VDC and WDC**. To the suggestions made by the India Delegation that the Watershed Development Committees be used instead of the Village Development Committees (VDCs), the Fund Delegation clarified that in the watersheds which have more than one village it is essential that the village communities be mobilised initially to ensure that participatory process begins at the village level for developing the watersheds and maintaining them. It was further clarified that given that in the proposed programme, no WDCs exist, the watershed users association and the watershed development committees (WDC) will be formed on the basis stated. Once the WDC is formed, it will undertake the activities proposed to be undertaken by the VDCs as per the Programme Loan Agreement.

11. **Villages and palli sabha**. It was clarified by the IFAD Delegation that the term villages include the main villages including the satellite villages and hamlets. Similarly, it was agreed that since the word *palli sabha* may be confusing in view of its usage, the term village assembly will be used. It was understood by both the Delegations that the village assemblies in cases may be established at the level of habitations and natural villages and may be several in an area covered by the gram panchayat.

12. **AWPB formats**. The IFAD Delegation clarified that the formats for the annual work programme and budget would be jointly agreed upon during or before the start-up workshop and would be made available to the PSU.

13. **Legal Defence Fund**. The India Delegation explained that the government funds can not be spent to fund cases that are against the government and its instrumentalities. The IFAD Delegation noted this and informed its agreement to the India Delegation that the Programme Funds will not be used to finance cases against GOI or GOO or their instrumentalities.

14. **Contracting** (Schedule 3, par 11.6). On the contracting by ITDAs of the infrastructure work, it was agreed that the ITDAs will follow their standard procedure and keeping in view of IFAD's procurement guidelines and this Loan Agreement.

15. **PLC of ITDAs**. The India Delegation informed the IFAD Delegation that the formation order of the Project Level Committees (PLCs) of the ITDAs were suitably modified to allow for the participation of the civil society institutions. The IFAD Delegation noted this.

16. **WDTs and SHGs**. On the recruitment and commissioning of the Watershed Development Teams, the IFAD Delegation clarified that these can be outsourced from among the NGOs, watershed missions, or private agencies depending upon the quality and cost effectiveness. Similarly, the SHGs formed by ITDAs and others in the Programme area will be integrated within the Programme and if necessary strengthened.

17. **Equal Wages to Women.** On this, the India Delegation clarified that the current legislation in force in India already require women to be paid equal to the men for similar work performed and thus this provision would apply with respect to the Programme as well.

18. **Computerised Information System.** On the implementation of computerised information systems the Indian Delegation clarified that while efforts will be made to computerise the information system, the lack of basic infrastructural facilities such as electricity may make it difficult, at least for the time being, to ensure its implementation in entirety. To this the IFAD Delegation informed the GOI Delegation that this constraint is well understood by the Fund and thus computerisation in entirety *per se* would not be conditioned to future disbursements or triggering of the subsequent phases as long as a reasonable monitoring and evaluation system is in place and functioning.

19. **Purchase or renting of the vehicle.** To the suggestion of the India Delegation that in certain situation the longer term cost of renting a vehicles may prove to be more cost effective than purchasing them, the IFAD Delegation clarified that while the costs have been estimated assuming that the vehicles would be purchased any switch to the renting of the vehicles taken on the basis of overall effectiveness will be acceptable to IFAD. Any adjustments among categories effected by this change will be undertaken at appropriate time.

20. **Programme Accounts.** While the representatives of the GOO and IFAD felt that the Programme account modality would be convenient from the point of view of expediting project implementation, they also noted that such a modality requires a special decision from the GOI. In this light, it was agreed that this proposal will be reviewed by the Fund and GOO and necessary proposal prepared, and if necessary forwarded to the GOI. In the event that the programme account modality is not adopted, funds will flow as per the standard procedure of the GOI and GOO and modifications will be made accordingly in the Loan Agreement.

21. **SCE.** Regarding Schedule 2, paragraph 3, Statements of Expenditures, Statements of Expenditures could cover all disbursement categories indicated. It was proposed that in the notice to the Borrower to be sent from the Cooperating Institution, Statements of Expenditures would initially cover: all expenditures except for contracts costing more than USD 50 000 or equivalent.

22. **Conversion to SDR.** For the purpose of Section 2.01 of the Loan Agreement, the IFAD Delegation explained that the loan amounting to SDR 16,050,00 is equivalent to USD 19,996,000 at the time of loan negotiations, using the operational rate of SDR 1 = USD 1.24691 which was the IMF rate as at the end of March 2002 applicable to IFAD negotiation taking place in the month of April 2002. It is understood that during project implementation the withdrawals from the loan account will be accounted for in SDR's using the exchange rate of the SDR against the currency of payment prevailing at value date of such payment.

23. For the purpose of Section 2.06, of the Loan Agreement, IFAD provided an amortisation schedule as attached hereto.

24. For the purpose of Section 3.08 of the Loan Agreement, regarding the project Completion Date, the Indian Delegation was provided with a copy of the President's Bulletin PB 99/01 "Operational Procedures for Closing Loans".

25. The IFAD Delegation informed the India Delegation that on request from the GOI a grant fund for expediting the project implementation may be made available by IFAD.

Programme Agreement

26. **Counterpart fund contribution.** On the query made by the Government of Orissa (GOO), on the contribution required from the State of Orissa, the IFAD Delegation clarified that these contributions are to be made in line with the rate of implementation and thus would be spread over the

implementation period. Similar principle applies to the contribution required from among the participants. As such, most contributions from the participants will be in the form of voluntary labour and is based on the principle of building a sense of ownership among them and make the interventions relevant.

Miscellaneous

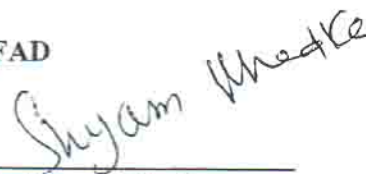
27. The IFAD Delegation requested that IFAD logos would be attached during the project period on equipment and facilities funded with loan proceeds.

Government of India



Mr Dharmendra Sharma
Deputy Secretary
DEA, Ministry of Finance
and Head of Delegation

IFAD



Mr. Shyam Khadka
Country Portfolio Manager
and Head of Delegation

Government of Orissa



A. K. Samantray
Principal Secretary
ST/SC Welfare Department

Rome, 19 April 2002