

CONFORMED COPY

CREDIT NUMBER 2745 IN

Project Agreement

(Tamil Nadu Water Resources Consolidation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF TAMIL NADU

Dated September 22, 1995

CREDIT NUMBER 2745 IN

PROJECT AGREEMENT

AGREEMENT, dated September 22, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF TAMIL NADU (Tamil Nadu).

WHEREAS (A) the Association has received a letter dated November 1, 1994, from Tamil Nadu describing sector reforms that constitute the framework for improving the development of water resources in Tamil Nadu including policy, institutional and administrative reforms (hereinafter called the Policy Reform Program), and declaring Tamil Nadu's commitment to carry out such Policy Reform Program.

(B) by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred eighty one million nine hundred thousand Special Drawing Rights (SDR 181,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Tamil Nadu agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement, and in this Agreement;

WHEREAS Tamil Nadu, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Tamil Nadu declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project through WRO, with due diligence and efficiency and in conformity with appropriate administrative, financial, and water resource management practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Tamil Nadu shall otherwise agree, Tamil Nadu shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Tamil Nadu shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. (a) Tamil Nadu shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Tamil Nadu shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Tamil Nadu of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Tamil Nadu shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of Tamil Nadu responsible for carrying out the Project or any part thereof.

(b) Tamil Nadu shall:

(i) have its records and accounts referred to in

paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

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

Section 4.02. (a) This Agreement and all obligations of the Association and of Tamil Nadu thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Tamil Nadu of this event.

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

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For Tamil Nadu:

Chief Secretary
Government of Tamil Nadu
Secretariat
Madras 600 009
Tamil Nadu, India

Telex:

953-3161493

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

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Heinz Vergin

Acting Regional Vice President
South Asia

STATE OF TAMIL NADU

By /s/ N. Valluri

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contract for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Except as provided in paragraph 4 below, works for rehabilitation and modernization under Part A of the Project, and scheme completion under Part B of the Project shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Except as provided in paragraph 3 below, materials, vehicles, and equipment, including maintenance equipment, estimated to cost \$200,000 equivalent or less per contract and \$1,100,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. National Shopping

(i) Equipment and materials estimated to cost \$25,000 equivalent or less per contract, and \$1,100,000 equivalent or less in the aggregate, and (ii) vehicles estimated to cost \$100,000 equivalent or less per contract, and \$1,600,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and estimated to cost \$15,000 equivalent or less per contract, and \$9,000,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such

procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (i) the first five contracts of each civil works and goods and (ii) each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II: Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

1. Tamil Nadu shall: (i) provide annually, and make available in a timely manner during each fiscal year, starting April 1, 1995, to WRO the funds required for satisfactory maintenance of all WRO's infrastructure, in order to sustain such infrastructure in full operating order; (ii) provide such maintenance funds to a separate maintenance works budget exempt from withdrawals for salaries and wages; and (iii) cause WRO to prepare and submit its annual maintenance budget estimates to Tamil Nadu and the Association, based on detailed command-by-command estimates following an agreed reporting, programming and budgeting, and monitoring and evaluation process.

2. Tamil Nadu shall cause WRO to: (i) prepare and furnish to the Association, for the Association's review and comments, not later than December 31 of each year, beginning December 31, 1995, a draft annual review, action plan and budget for WRO's entire work program for the coming fiscal year; (ii) finalize

such draft annual review, action plan and budget taking account of the Association's comments, and furnish the final version to the Association not later than March 31 of each year, starting March 31, 1996; and (iii) thereafter implement the agreed action plan, including the timely provision of the approved budget funds, in a manner satisfactory to the Association.

3. Tamil Nadu shall, without limitations to the provisions of Section 2.01 of this Agreement, implement a system satisfactory to the Association for channelling the funds required for the Project, to the entities involved in carrying out the Project.

4. Tamil Nadu shall select the NGOs participating in the Project in accordance with criteria agreed with the Association.

5. Tamil Nadu shall: (i) implement a program satisfactory to the Association for reducing subsidies provided to TNEB; and (ii) cause TNEB to implement a program satisfactory to the Association for improving its cost recovery and maintaining a sound financial status.

6. Tamil Nadu shall, by December 31, 1997, undertake in collaboration with the Borrower and the Association, a mid-term review of the Project, and shall thereafter implement the recommendations of such review.

7. In addition to the nine commands specified in Part B.1 of the Project, Tamil Nadu may select additional water schemes for initiation or completion, in accordance with criteria agreed with the Association, and subject to the Association's prior review and approval.

8. Tamil Nadu shall carry out the land acquisition and economic rehabilitation under Part E of the Project in accordance with a plan agreed with the Association.

9. Tamil Nadu shall maintain the state-level committee established for assisting in the supervision of the Project.

