

CONFORMED COPY

CREDIT NUMBER 3152 IN

Project Agreement

(Uttar Pradesh Sodic Lands Reclamation II Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTAR PRADESH

and

UTTAR PRADESH BHUMI SUDHAR NIGAM

Dated February 4, 1999

CREDIT NUMBER 3152 IN

PROJECT AGREEMENT

AGREEMENT, dated February 4, 1999, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), the STATE OF UTTAR PRADESH, acting by its Governor (Uttar Pradesh) and UTTAR PRADESH BHUMI SUDHAR NIGAM (UPBSN).

WHEREAS by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred forty-one million seven hundred thousand Special Drawing Rights (SDR 141,700,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Uttar Pradesh and UPBSN agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Uttar Pradesh and UPBSN, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have 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, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) Uttar Pradesh and UPBSN declare their commitment to the objective of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, land reclamation, agricultural, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) Uttar Pradesh shall make available to UPBSN, as a grant and in a timely manner, (i) the proceeds of the Credit made available to Uttar Pradesh by the Borrower and (ii) additional funds from Uttar Pradesh's own resources in amounts sufficient to cover the amounts required by UPBSN in the carrying out of the Project.

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. Uttar Pradesh and UPBSN 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) Uttar Pradesh and UPBSN 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) Uttar Pradesh and UPBSN 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 Uttar Pradesh and UPBSN of their obligations under this Agreement.

Section 2.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Uttar Pradesh and UPBSN shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose among the Association, Uttar Pradesh and UPBSN, a plan satisfactory to the Association for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with Uttar Pradesh and UPBSN on said plan.

## ARTICLE III

### Management and Operations of UPBSN

Section 3.01. UPBSN shall carry on its operations and conduct its affairs in

accordance with sound administrative, financial, land reclamation, agricultural, engineering and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. UPBSN shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, land reclamation, agricultural and environmental practices.

Section 3.03. UPBSN shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) Uttar Pradesh and UPBSN shall maintain records and accounts adequate to reflect in accordance with sound financial management and accounting practices the operations, resources and expenditures in respect of the Project.

(b) Uttar Pradesh and UPBSN shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such fiscal year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such fiscal year as so audited, and (B) an opinion on such financial statements, records and accounts and a 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 such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

#### ARTICLE V

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

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association, Uttar Pradesh and UPBSN 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 Uttar Pradesh and UPBSN of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement among 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 (MCI) or  
64145 (MCI)

For Uttar Pradesh:

Chief Secretary  
Government of Uttar Pradesh  
Lucknow  
Uttar Pradesh, India

Telex:

535259 CHLW

For UPBSN:

Managing Director  
Uttar Pradesh Bhumi Sudhar Nigam  
Vibhuti Khand, Gomti Nagar  
Lucknow  
Uttar Pradesh, India

Telex:

535259 CHLW

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Uttar Pradesh may be taken or executed by its Chief Secretary or such other person or persons as Uttar Pradesh shall designate in writing, and on behalf of UPBSN may be taken or executed by the Chairman of the Board of UPBSN or such other person or persons as UPBSN shall designate in writing, and Uttar Pradesh and UPBSN shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

STATE OF UTTAR PRADESH

By /s/ K. Desiraju

Authorized Representative

UTTAR PRADESH BHUMI SUDHAR NIGAM

By /s/ C.B. Paliwal

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

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 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 and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Except as otherwise provided in the following paragraphs of this Part C, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods (except vehicles) estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$5,300,000 equivalent, may be

procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

## 2. Procurement of Small Goods (Except Vehicles)

(a) Goods (except vehicles) estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$4,100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods (except vehicles, seeds and fertilizers) estimated to cost less than \$10,000 equivalent per contract, and seeds and fertilizers estimated to cost less than \$50,000 equivalent per contract, all up to an aggregate amount not to exceed \$23,100,000 equivalent, and with the Association's prior agreement, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

## 3. Procurement of Vehicles

Vehicles estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

## 4. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract and works for on-farm development under Part A of the Project, up to an aggregate amount not to exceed \$36,500,000 equivalent, may:

(i) with the Association's prior agreement, be procured by direct contracting from water user groups, self help groups and NGOs in accordance with the provisions of paragraph 3.7 of the Guidelines; or

(ii) be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

## 5. Transportation of Gypsum

Contracts for transportation of gypsum from rail head to project sites, costing up to an aggregate amount not to exceed \$7,200,000 equivalent, shall be awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

## Part D: Review by the Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations 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 (a) each contract for goods (except vehicles) and works, estimated to cost the equivalent of \$200,000 or more, (b) the first two contracts for goods (except vehicles, seeds and fertilizers) and the first two contracts for works, estimated to cost the equivalent of \$20,000 or more but less than the equivalent of

\$200,000, and (c) each contract for vehicles estimated to cost the equivalent of \$100,000 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

### Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Single Source Selection

Services for training, digitization, mass media, monitoring of compliance of the memoranda of understanding referred to in paragraph 10 of Schedule 2 to this Agreement, strengthening of panchayats, strengthening of local credit services, marketing studies, adaptive research, soil monitoring, groundwater monitoring, surface water monitoring, biodiversity evaluation, and strengthening of RSAC may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

### Part D: Review by the Association of the Selection of Consultants

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 2

Implementation Program

1. Uttar Pradesh shall ensure that RSAC, UPCAR and the line departments will, in a timely manner: (i) participate in the implementation of the Project as necessary; and (ii) provide all the necessary assistance to and cooperation with UPBSN in the implementation of the Project.

2. Uttar Pradesh and UPBSN shall ensure that UPBSN, each of the line departments, RSAC and UPCAR will: (i) not later than April 1, 1999, enter into a memorandum of understanding, acceptable to the Association, setting forth the activities to be carried out and financial and other implementation arrangements; (ii) comply with the provisions of such memorandum of understanding; and (iii) not assign, amend, abrogate or waive such memorandum of understanding or any provision thereof without the written consent of the Association.

3. UPBSN shall carry out the identification, selection and planning of the reclamation sites under the Project in accordance with criteria, schedule and procedures agreed with the Association.

4. UPBSN shall select NGOs assisting in the implementation of the Project in accordance with criteria and procedures agreed with the Association.

5. UPBSN shall: (i) by April 1, 2000, select, in accordance with the provisions of Section II of Schedule 1 to this Agreement, a suitably qualified agency to undertake an independent assessment of the participatory management process for NGOs adopted under Part E of the Project; (ii) by December 31, 2000, prepare an action plan, satisfactory to the Association, to implement recommendations made by such agency; and (iii) thereafter implement such recommendations in accordance with such action plan.

6. UPBSN shall: (i) by December 31 of each year, starting in 1999, furnish to the Association for its review and comments an annual implementation plan for the Project, including training, for the following year; and (ii) thereafter implement each such plan, taking into account the Association's comments on such plan.

7. Uttar Pradesh and UPBSN shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) for each six-month period, starting with the period ending on December 31, 1999, submit to the Association for its review and comments, within thirty (30) days of the end of such period, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the



progress achieved in the carrying out of the Project during the six months ending on the last day of such period and during the entire year ending on the last day of such period;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, by December 31, 2001 and in form and substance satisfactory to the Association, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by March 31, 2002, or such later date as the Association shall request, the report referred to in subparagraph (c) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

8. UPBSN shall ensure that the remodeling of the main drains for each site under the Project shall be substantially completed to ensure the free flow of effluents from leaching process.

9. Uttar Pradesh shall: (i) not later than three (3) months prior to the beginning of each Fiscal Year, furnish to the Association an operational plan for the maintenance of the main drains under the Project to be undertaken during such Fiscal Year, including an estimate of the costs of such maintenance in an amount satisfactory to the Association; and (ii) thereafter provide in a timely manner the funds sufficient to cover the costs of such maintenance for such Fiscal Year.

10. Uttar Pradesh and UPBSN shall: (i) select and improve the rural roads under Part D of the Project in accordance with criteria and technical standards agreed with the Association; (ii) maintain such roads in accordance with the Road Maintenance Policy; (iii) employ, not later than July 1, 1999, in accordance with the provisions of Section II of Schedule 1 to this Agreement, and with terms of reference agreed with the Association, consultants to inspect and verify the technical quality of such roads after their improvement; (iv) ensure that any land needed for road improvement shall be provided by the occupant of such land in a voluntary manner, and in accordance with a memorandum of understanding, acceptable to the Association, between Uttar Pradesh and such occupant; and (v) not commence improvement of roads in locations where land is needed until such memorandum of understanding has been concluded.

11. Uttar Pradesh shall continue to keep the Agriculture Production Commissioner as the Chairman of the Board of UPBSN.

12. UPBSN shall implement the Environmental Management Plan in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein and shall not take any action which would prevent or interfere with such implementation.

13. Uttar Pradesh and UPBSN shall: (i) with the assistance of UPCAR complete approval, not later than December 31, 1999, of the first phase of the research proposals under the competitive agricultural research program under Part F of the Project, in accordance with criteria agreed with the Association; and (ii) take all the necessary measures to ensure that continued funding for the program shall be provided, during the post-Project period, (a) for completion of the research initiated during the Project period and (b) subject to satisfactory performance of the program, for support of a competitive research funding mechanism.

14. UPBSN shall take all the necessary measures to ensure that, not later than December 31, 1999, extension services activities under Part C of the Project in at least one block of two Project districts are contracted to NGOs or private service providers in association with the commodity groups/associations and self help groups, with technical back-stopping by the district teams and block level staff of the line departments of Uttar Pradesh, and in accordance with procedures acceptable to the Association.

15. UPBSN shall successfully develop and maintain a financial management system for the Project comprising preparation and adoption of a financial management manual, and development, installation and operation of a computerized financial management system, satisfactory to the Association.

16. UPBSN shall employ (i) not later than June 30, 1999, and thereafter maintain as a financial controller a suitably experienced chartered accountant or cost accountant, and (ii) not later than March 31, 1999, and thereafter maintain as a financial officer a suitable chartered accountant or cost accountant.

17. UPBSN shall employ not later than March 31, 1999, and thereafter maintain throughout the Project implementation period a firm of chartered accountants with terms of reference and qualifications acceptable to the Association, for auditing the records, accounts and financial statements of the Project.

