

CONFORMED COPY

CREDIT NUMBER 2076 IN
LOAN NUMBER 3144 IN

Project Agreement

(Punjab Irrigation and Drainage Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF PUNJAB

Dated February 9, 1990

CREDIT NUMBER 2076 IN
LOAN NUMBER 3144 IN

PROJECT AGREEMENT

AGREEMENT, dated February 9 1990, among
INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association),
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the Bank) and STATE OF PUNJAB acting by its Governor
(Punjab).

WHEREAS (A) by the Development Credit Agreement of
even date herewith between India, acting by its President
(the Borrower) and the Association, the Association has
agreed to make available to the Borrower an amount in
various currencies equivalent to one hundred seventeen
million seven hundred thousand Special Drawing Rights
(SDR 117,700.000), on the terms and conditions set forth
in the Development Credit Agreement, but only on
condition that Punjab agree to undertake such obligations
toward the Association as are set forth in this
Agreement;

(B) by the Loan Agreement of even date herewith between the borrower and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to fifteen million dollars (\$15,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that Punjab agrees to undertake such obligations towards the Bank as are set forth in this Agreement; and

(C) the proceeds of the Credit and the Loan provided for under the Development Credit Agreement and the Loan Agreement respectively, will be made available by the Borrower to Punjab in accordance with the Borrower's standard arrangements for developmental assistance to the States of India; and

WHEREAS Punjab, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, and the Bank's entering into the Loan 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 other requires, the several terms defined in the Development Credit Agreement, the Loan Agreement, the Preamble to this Agreement and in the General Conditions (as so defined in the Development Credit Agreement and the Loan Agreement, respectively) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Punjab 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 with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering 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, the Bank and Punjab shall otherwise agree, Punjab 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 and the Bank 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. Punjab 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 applicable to the Development Credit Agreement and in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions applicable to the Loan Agreement (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) Punjab shall, at the request of the Association and the Bank, exchange views with the Association and the Bank 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 and of the Loan.

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

ARTICLE III

Financial Covenants

Section 3.01. (a) Punjab shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition in respect of the Project.

(b) Punjab shall:

- (i) have the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for the Project for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association and the Bank;
- (ii) furnish to the Association and the Bank as soon as available, but in any case not later than nine months after the end of each such year, (A) certified copies of such financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association and the Bank shall have reasonably requested; and
- (iii) furnish to the Association and the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association and the Bank 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 both the Development Credit Agreement and the Loan Agreement become effective.

Section 4.02. (a) This Agreement and all obligations of the Association, of the Bank and of Punjab thereunder shall terminate on the earlier of the two dates:

- (i) the date on which both the Development Credit Agreement and the Loan Agreement have terminated; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement or the Loan Agreement or both of said Agreements terminate in accordance with their respective terms before the date specified in paragraph (a) (ii) of this Section, the Association or the Bank or both, as the case may be, shall promptly notify Punjab 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 applicable to the Development Credit Agreement or the Loan Agreement.

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: Telex:

INDEVAS 440098 (ITT)
Washington, D.C. 248423 (RCA)

or

64145 (WUI)

For the Bank:

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex:

INTBAFRAD 440098 (ITT)
Washington, D.C. 248423 (RCA)

or

64145 (WUI)

For Punjab:

Financial Commissioner and Secretary
Irrigation and Power, Punjab
Chandigarh, India

Telex:

395 208 CB PB IN

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 Punjab may be taken or executed by a Secretary to the Government of Punjab or such other person or persons as Punjab shall designate in writing, and Punjab shall furnish to the Association and the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. As long as the Bank has not given notice to the contrary to Punjab and so long as the Development Credit Agreement shall not have terminated prior to the termination of the Loan Agreement:

(a) the obligations of Punjab to consult with, and to furnish information, documents, plans, reports, records and statements to, the Bank shall be satisfied to the extent performance in respect of such obligations is rendered to the Association;

(b) the obligations of the Bank to consult with, and to furnish information to, Punjab shall be satisfied to the extent such obligations are fulfilled by the Association; and

(c) all actions taken (including the giving of approvals or granting of waivers) by the Association pursuant to the Development Credit Agreement shall be deemed to be taken pursuant to both the Development Credit Agreement and the Loan Agreement, and in the name and on behalf of both the Association and the Bank.

Section. 5.04. 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

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By /s/ Russell J. Cheetham
Acting Regional Vice President
Asia

STATE OF PUNJAB

By /s/ Anil Kumar
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions or paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association and the Bank.
2. Works for minor field channels under Part A of the Project may be carried out by small unit price contracts awarded on the basis of local competitive bidding in accordance with procedures satisfactory to the Association and the Bank.
3. Works under Part E.1 (ii) and E.2 of the Project and works for the drilling of tubewells under Part H of the Project may be carried out through force account, provided that such works shall not in the aggregate exceed 10% of the total cost of all civil works under the Project.
4. Goods estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association and the Bank.
5. Goods estimated to cost the equivalent of \$5,000 or less, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association and the Bank.

Part D: Review by the Association and the Bank of
Procurement
Decision

1. Review of invitation to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost more than the equivalent of \$200,000, and each contract for goods estimated to cost more than the equivalent of \$100,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be

modified to ensure that the two conformed copies of the contract required to be furnished to the Association and the Bank pursuant to said paragraph 2 (d) shall be furnished to the Association and the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association and the Bank pursuant to said paragraph 3 shall be furnished to the Association and the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (a) (ii) of the Development Credit Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist Punjab in carrying out Part J of the Project, Punjab shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association and the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association and the Bank on the basis 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.

SCHEDULE 2

Implementation Program

1. In carrying out Part G of the Project, Punjab shall:

(a) carry out socio-economic surveys of oustees from the Kandi Low Dam submergence areas, as a basis for determining their current circumstances and their preferences for rehabilitation;

(b) carry out a program, acceptable to the Association and the Bank, for the resettlement and rehabilitation of such oustees, such program to provide, as a minimum, that oustees will regain their previous standard of livelihood;

(c) where oustees are left with uneconomic agricultural holdings or no farm land (i) encourage the beneficiaries of the proposed irrigation works to provide land to such oustees at a fair market price, and (ii) by December 31, 1992, review with the Association and the Bank the above arrangements and, thereafter, adjust such arrangements as necessary, taking into account the comments of the Association and the Bank; and

(d) carry out the resettlement and rehabilitation measures set forth in subparagraphs (b) and (c) above six months prior to the impounding of each relevant dam.

2. In carrying out Part G of the Project, Punjab shall maintain the existing levels of catchment stabilization.

3. In carrying out Part G of the Project, Punjab shall maintain the Dam Safety Review Panel with terms of reference acceptable to the Association and the Bank.

4. In carrying out civil works under the Project, Punjab shall:

(a) carry out such civil works in accordance with technical specifications acceptable to the Association and the Bank; and

(b) compile annual reports of problems, if any, related to technical standards and specifications and remedies and actions taken as a result of inspections of civil works by the Irrigation Department, such reports to remain available to the Association and the Bank until completion of the Project.

5. Without limitation upon the provisions of Section 9.08 of the General Conditions, Punjab shall:

(a) maintain all canals and facilities above the irrigation outlets included in the Project, so as to function at all times in accordance with the relevant design specifications;

(b) carry out a program of performance monitoring, acceptable to the Association and the Bank, for determining whether maintenance is adequate, such program to include provision of required funds, facilities and staff to the Irrigation Department; and

(c) annually, commencing with its fiscal year 1991, identify in its State budget the funds to be used for such maintenance and the source of such funds.

