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**CREDIT NUMBER 4013 IN**

# **Project Agreement**

**(Assam Agricultural Competitiveness Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**STATE OF ASSAM**

**Dated January 14, 2005**

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**CREDIT NUMBER 4013 N**

**PROJECT AGREEMENT**

AGREEMENT, dated January 25, 2005 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF ASSAM (Assam).

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 and five million Special Drawing Rights (SDR 105,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Assam agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement, and in this Agreement; and

WHEREAS Assam, 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 in the Development Credit Agreement) have the respective meanings therein set forth.

**ARTICLE II**

**Execution of the Project**

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

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

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, Assam shall, for the purpose of implementing the Project promptly, make available to the ARIASP Society and the Line Departments, in accordance with procedures and arrangements satisfactory to the Association, the proceeds of the Credit received by Assam from the Borrower pursuant to Section 3.01(b) of the Development Credit Agreement.

Section 2.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) Assam shall update the Procurement Plan in accordance with terms of reference acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

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

(b) For the purposes of Section 9.06 of the General Conditions, and without limitations thereto, Assam shall (i) prepare and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Assam, a plan designed to ensure the sustainability of the Project objectives; and (ii) afford the Association a reasonable opportunity to exchange views with Assam on said plan.

Section 2.04. (a) Assam 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) Assam 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 Assam of its obligations under this Agreement.

### **ARTICLE III**

#### **Financial Covenants**

Section 3.01. (a) Assam shall maintain a financial management system, including records and accounts, and prepare financial statements, in a format acceptable to the

Association, adequate to reflect in accordance with sound financial management and accounting practices the operations, resources and expenditures in respect of the Project.

- (b) Assam 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 year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such fiscal year as so audited, and (B) an opinion on such financial statements, records and accounts of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
  - (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, and concerning such auditors, as the Association shall from time to time reasonably request.

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

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

(b) The first Financial Monitoring Report shall be furnished to the Association no later than forty five (45) days after the end of the first calendar quarter

after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

#### **ARTICLE IV**

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

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

Section 4.02. (a) This Agreement and all obligations of the Association and of Assam 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 Assam 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391

For Assam:

Chief Secretary  
Government of Assam Secretariat  
Dispur, Guwahati  
Assam, India

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

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Carter

Country Director, India

STATE OF ASSAM

By /s/ S. Manoharan

Authorized Representative



## **SCHEDULE 1**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$500,000 and works estimated to cost less than \$10 million equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding, in accordance with procedures acceptable to IDA.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Force Account. Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

5. Community Participation. Goods, works and services required for Sub-projects under Part A of the Project consisting of investments in (i) drainage schemes; (ii) pond, tank and beel fisheries; (iii) drilling tube wells; (iv) pumping equipment; (v) tractors; and (vi) power tillers, and accessories may be procured on the basis of community participation in accordance with the following procedures:

- (a) Shopping procedures for fish production inputs;
- (b) Direct contracting procedures for irrigation pump-sets and farm machinery; and
- (c) Direct contracting with NGOs, or soliciting at least three bids from qualified contractors, or by the community on its own for civil works contracts.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.
5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

## **SCHEDULE 2**

### **Implementation Program**

#### **A. Project Implementation, Management and Coordination**

1. Assam shall implement the Project in accordance with the provisions of the Operational Manual and the Financial Management Manual in a manner satisfactory to the Association.

2. Assam shall vest the responsibility for the overall implementation, management and coordination of the Project in the ARIASP Society under arrangements satisfactory to the Association. The ARIASP Society shall be assisted in the carrying out of its responsibilities by the PCU, which shall be headed by a Project Coordinator.

3. Assam shall maintain the PCU with powers, functions, composition, resources, and staff, satisfactory to the Association. The staff of the PCU shall include experts in the areas of procurement, environment, social mobilization, and financial management, including a Financial Adviser and an Accounts Officer.

4. Assam shall vest the responsibility for the day-to-day implementation of the Project in the relevant Line Departments which shall collaborate with: (a) NGOs, community groups, or Beneficiaries, as may be necessary or appropriate, with respect to the design, preparation and implementation of Sub-projects; and (b) appropriate national and international institutions as needed for effective implementation of the Project.

5. Assam shall:

(a) by no later than thirty (30) days after the Effective Date, appoint, in accordance with procedures set forth in Schedule 2 of this Agreement, a qualified firm for the purpose of supervising the roads and bridges upgrading activities under the Project in accordance with terms of reference satisfactory to the Association; and

(b) implement activities related to the upgrading of roads and bridges under the Project in such a manner as to ensure compliance with the Resettlement and Rehabilitation Policy.

6. Assam shall provide adequate funding in accordance with its budgetary procedures and implement annual Maintenance Plans on core rural roads in the Project Districts in a manner satisfactory to the Association.

7. Assam shall take all such actions as may be necessary or required, satisfactory to the Association, in order to implement phased cost recovery of providing artificial insemination services by its Veterinary and Animal Husbandry Department. Except as

the Association shall otherwise agree, the time schedule for such cost recovery shall be as follows: (a) 50% by March 31, 2006; (b) 75% by March 31, 2007; and (c) 100% by September 30, 2008.

8. Assam shall,

- (i) engage, by no later than thirty days (30) after Effective Date, consultants on terms of reference satisfactory to the Association to prepare the Plan referred to in Sub-paragraph (ii) below; and
- (ii) finalize, by no later than December 31, 2005 a business plan (the Plan) satisfactory to the Association for the Assam Livestock Development Agency, which shall include, inter alia, provisions for phasing out Assam's financial support to such agency by December 31, 2008.

B. Grants under Part A of the Project: Terms, Conditions and Procedures

9. Grants for Sub-projects under Part A of the Project shall be made in accordance with the procedures set forth in the Operations Manual and each Subproject shall require a Subproject Agreement to be entered into between the Beneficiary and the concerned Line Department on terms and conditions satisfactory to the Association

10. By no later than March 31, 2006, Assam and the Association shall review performance of the Investment Grant Scheme, especially with regard to the provision of Grants for irrigation and farm mechanization, and shall make adjustments as appropriate to the design of the Investment Grant Scheme.

C. Social and Environmental Safeguards

11. Assam shall carry out the Project in accordance with the provisions of the Environmental Management Framework, and the Resettlement and Rehabilitation Policy. For the purpose of implementing the Environmental Management Framework, Assam shall prepare and implement Environmental Management Plans where deemed necessary in accordance with the provisions of such framework in a manner satisfactory to the Association. Where Environmental Management Plans are not deemed to be necessary for any activity under the Project, Assam shall implement such activities in accordance with the appropriate Environmental Code of Practice as set out in the Environmental Management Framework and other relevant provisions of such Framework.

12. Assam shall carry out an independent audit of the implementation of the Environmental Management Framework and the Resettlement and Rehabilitation Policy under the Project with respect to every two years of Project implementation. Assam shall furnish a copy of the report of such audit to the Association within ninety (90) days of the

completion of each such two-year period and shall continue the implementation of the Project in accordance with the recommendations of the report as agreed by Assam and the Association.

D. Monitoring, Progress Reports and Mid-Term Review

13. Assam shall:

(a) no later than thirty days after the Effective Date appoint, in accordance with procedures set forth in Schedule 2 of this Agreement, a qualified firm for the purpose of carrying out monitoring and evaluation of the Project under terms of reference satisfactory to the Association; and

(b) carry out, no later than six months after the Effective Date of this Agreement, baseline surveys under the Project in accordance with terms of reference satisfactory to the Association.

14. Assam 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) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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

(c) review with the Association, by December 31, 2007 or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.