

CONFORMED COPY

LOAN NUMBER 4684-IN

Project Agreement

(Uttar Pradesh State Roads Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF UTTAR PRADESH

Dated February 19, 2003

LOAN NUMBER 4684-IN

PROJECT AGREEMENT

AGREEMENT, dated February 19, 2003, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE OF UTTAR PRADESH, acting by its Governor (Uttar Pradesh).

WHEREAS by the Loan Agreement of even date herewith between India (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to four hundred eighty eight million dollars (\$488,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Uttar Pradesh agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Uttar Pradesh, in consideration of 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 otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined in the Loan Agreement) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Uttar Pradesh declares its commitment to the objective of the Project and, to this end, shall carry out the Project, through the Public Works Department, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, transport, rehabilitation and resettlement, and environmental and social 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 Bank and Uttar Pradesh shall otherwise agree, Uttar Pradesh shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to

this Agreement, the Project Implementation Plan, the Environmental Management Plans, the Environmental and Social Management Plan and the Resettlement Action Plan.

(c) Uttar Pradesh shall make available, in a timely manner, to the Public Works Department sufficient funds, in necessary and appropriate amounts, to ensure effective implementation of the Project. Such funds shall include proceeds of the Loan made available to Uttar Pradesh by the Borrower and any additional funds from Uttar Pradesh's own resources required for carrying out the Project.

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

Section 2.03. (a) Uttar Pradesh shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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 9.07 of the General Conditions and without limitation thereto, Uttar Pradesh shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank and furnish to the Bank not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Bank and Uttar Pradesh, a plan designed to ensure the continued achievement of the Project's objective; and
- (ii) afford the Bank a reasonable opportunity to exchange views with Uttar Pradesh on such plan.

Section 2.04. (a) Uttar Pradesh shall, at the request of the Bank, exchange views with the Bank on the progress of the Project, the performance of Uttar Pradesh's obligations under this Agreement and other matters relating to the purposes of the Loan.

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

ARTICLE III

Financial Covenants

Section 3.01. (a) Uttar Pradesh shall establish and, thereafter, maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project of the departments or agencies of Uttar Pradesh responsible for carrying out the Project or any part thereof.

- (b) Uttar Pradesh 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 Bank;
 - (ii) furnish to the Bank 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 report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
 - (iii) furnish to the Bank such other information, as the Bank may reasonably request from time to time, concerning such records, accounts and financial statements, and the audit thereof, and the auditors who performed the audit.

Section 3.02. (a) Uttar Pradesh shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, 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 Loan, 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 Bank not later than 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 Bank not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous Financial Monitoring Report until the end of 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 Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Uttar Pradesh thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Uttar Pradesh thereof.

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 facsimile 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 Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

For Uttar Pradesh:

Chief Secretary
Government of Uttar Pradesh
Secretariat
Lucknow 226001
Uttar Pradesh, India

Facsimile:

91-522-239-283
91-522-628-019

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 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 Uttar Pradesh shall furnish to the Bank 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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael F. Carter
Country Director, India

STATE OF UTTAR PRADESH

By /s/ Devendra Singh Bagga
Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for contracts for works under Part A.1 of the Project (highway and road improvements) shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

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 works to be carried out by domestic contractors.

(c) Dispute Review Board

Each contract for works estimated to cost \$10,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

The following goods and works may be procured under contracts awarded on the basis of competitive bidding advertised nationally in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and procedures satisfactory to the Bank:

(a) works under Part A.1 of the Project (highway and road improvements) relating to the construction of five major bridges and one bypass estimated to cost less than \$8,500,000 per contract, up to an aggregate amount not to exceed \$33,980,000;

(b) works under Part B.1 (highway and road rehabilitation) and Parts D.1 and D.3 (road safety and traffic operations) of the Project estimated to cost less than \$8,500,000 equivalent per contract, up to an aggregate amount not to exceed \$229,800,000 equivalent; and

(c) goods, including computer hardware and software, and minor items needed for activities under Part A.2 (resettlement and rehabilitation under highway and road improvement) and Part D.2 (road safety and traffic operations) of the Project estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,300,000 equivalent.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$4,850,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Three Quotations/Direct Contracting/Force Account

Works, estimated to cost less than \$50,000 equivalent per contract and up to an aggregate amount not to exceed \$10,700,000 equivalent, related to: (a) shifting of utilities under Part A.1 of the Project (highway and road improvements) up to an aggregate amount not to exceed \$2,080,000; (b) resettlement and rehabilitation activities under Part A.2 of the Project (resettlement and rehabilitation) up to an aggregate amount not to exceed \$3,550,000; (c) improvement of accident black spots under Part D.2 of the Project (road safety measures) up to an aggregate amount not to exceed \$2,000,000; and

(d) environmental mitigation and related measures under Part A.3 of the Project (environmental management plans for highway and road improvements) up to an aggregate amount not to exceed \$3,070,000, may be procured according to the following procedures.

- (i) Lump-sum, fixed-price contracts, up to an aggregate amount not to exceed \$6,700,000, awarded on the basis of quotations obtained from at least 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 Bank, 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.
- (ii) With the Bank's prior agreement, under direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$3,000,000 equivalent.
- (iii) As a last resort and, if the proposed contracts meet the requirements of paragraph 3.8 of the Guidelines, they may be carried out, with the Bank's prior agreement, by force account in accordance with the provisions of said paragraph of the Guidelines, up to an aggregate amount not to exceed \$1,000,000 equivalent.

Part D: Review by the Bank 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 Bank for its review and approval, in accordance with the provisions of paragraph 1 in the Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with a procurement plan approved by the Bank, and with the provisions of paragraph 1, mentioned above. The procurement plan shall be updated every six months during the execution of the Project, and each updated plan shall be furnished to the Bank for its review and approval.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to: (i) each contract for civil works under Part A.1 (highway and road

improvements) of the Project; (ii) each contract for civil works under Part B.1 of the Project (highway and road rehabilitation), estimated to cost \$4,000,000 equivalent or more, procured under Part C.1 of this Schedule; and (iii) each contract for goods estimated to cost \$200,000 equivalent or more.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision 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 under Part C (institutional strengthening) and Part D (road safety and traffic operations) of the Project, estimated to cost less than \$500,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services for technical review of civil works under Part B.1 of the Project (highway and road rehabilitation) and design and supervision under Parts D.1 and D.3 of the Project (road safety and traffic operations), estimated to cost \$2,180,000 equivalent in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Single Source Consultants

(a) The following services may be procured with the Bank's prior agreement in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

- (i) various studies relating to the condition, classification and devolution of highways and roads under Part C.1 of the Project (institutional strengthening), estimated to cost \$1,120,000 equivalent in the aggregate;
- (ii) training of personnel under Part D.2 of the Project (road safety and traffic operations), estimated to cost \$500,000 equivalent in the aggregate;
- (iii) design and supervision of performance-based maintenance works under Part B.1 of the Project (highway and road rehabilitation), estimated to cost \$170,000 equivalent in the aggregate;
- (iv) development of a road information system under Part C.1 of the Project, estimated to cost \$330,000 equivalent in the aggregate;
- (v) training and twinning arrangements (institutional strengthening) under Part C.1 of the Project, estimated to cost \$660,000 in the aggregate;
- (vi) engineering design for accident black spots under Part D.1 of the Project, estimated to cost \$190,000 equivalent in the aggregate; and
- (vii) evaluation services under Part A.2 of the Project (resettlement and rehabilitation), estimated to cost \$200,000 equivalent in the aggregate; and

(b) Each contract for services to be procured in accordance with sub-paragraph (a), above, of this paragraph 2, shall be estimated to cost less than \$100,000 equivalent for firms and \$50,000 equivalent for individuals.

3. Individual Consultants

Service for tasks that meet the requirement set forth in paragraph 5.1 of the Consultants Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultants Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank, for its review and approval, prior to the issuance to consultants of any requests for proposals. The plan shall be updated every six months during the execution of the Project, and each updated plan shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with selection plan, updated from time to time, as approved by the Bank.

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 2, 3 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 report on the comparison of the qualifications and experience of candidates, the qualifications, experience and the terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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

General

1. Uttar Pradesh shall ensure that no proceeds of the Loan shall be used to finance the carrying out of any civil works on state highways or roads under Part A (highway and road improvements), Part B (highway and road rehabilitation), and Part D (road safety and traffic operations) of the Project not included in the Project Implementation Plan, unless and until Uttar Pradesh has submitted to the Bank documentation satisfactory to the Bank for undertaking civil works for such state highways or roads, including without limitation and as may be appropriate and necessary, a feasibility study report, engineering designs, relevant environmental management and social plans and a resettlement action plan.

Project Implementation Arrangements

2. In order to ensure efficient project implementation, Uttar Pradesh shall:
- (a) maintain the Project Management Team, with qualified staff in adequate numbers as agreed with the Bank and provide the team with such resources as may be necessary or advisable to manage activities to be carried out under the Project; and
 - (b) maintain the Governing Board, the Project Steering Committee and the Technical Evaluation Committee throughout the period of Project implementation until the Closing Date, each with composition, powers, functions and resources satisfactory to the Bank.
3. Uttar Pradesh shall maintain throughout the Project implementation period until the Closing Date:
- (a) a financial controller, who shall have qualifications and experience satisfactory to the Bank and be supported by an accounts officer and such other staff as may be necessary and appropriate; and
 - (b) a divisional accountant for each division of the Public Works Department participating in the Project, with such experience and qualifications as shall be satisfactory to the Bank.
4. Uttar Pradesh shall maintain throughout the Project implementation period until the Closing Date, a computerized Financial Management System for the Project satisfactory to the Bank.

5. Uttar Pradesh shall cause the Project Management Team to:
- (a) produce, subject to sub-paragraph 5 (c) below, reports for quarterly periods during the period of Project implementation commencing the Effective Date through the Closing Date, satisfactory to the Bank, with respect to:
 - (i) the implementation progress of the Project;
 - (ii) any proposed action plans for the Project; and
 - (iii) implementation progress of Environmental Management Plans, the Environmental and Social Management Plan and the Resettlement Action Plan;
 - (b) furnish, subject to sub-paragraph 5 (c) below, of this paragraph 5, such quarterly reports to the Bank within forty-five days following the end of each calendar quarter referred in sub-paragraph (a) above, commencing the Effective Date through the Closing Date; and
 - (c) continue producing and furnishing to the Bank quarterly reports for a period of two years following completion of the Project in the manner referred to in sub-paragraphs 5 (a) and (b), above, regarding implementation of the Environmental Management Plans and the Environmental and Social Management Plan.

Institutional Development and Strengthening

6. Uttar Pradesh shall establish and maintain throughout the period of Project implementation until the Closing Date an Institutional Development Cell within the Public Works Department, comprising senior officials of the department, to oversee implementation of the Institutional Development Plan.
7. Without prejudice to its obligations under the foregoing paragraph 6 of this Schedule 2, Uttar Pradesh shall establish, operate, and, thereafter, shall maintain a computerized Financial Management System for the entire Public Works Department organization by not later than December 31, 2003.
8. Uttar Pradesh shall ensure:
- (a) by not later than March 31, 2005, that the Public Works Department awards contracts for routine maintenance works for a minimum of 500 kilometers of the state core road network identified in the Project Implementation Plan; and
 - (b) by no later than June 30, 2007, that the Public Works Department awards contracts for routine road maintenance works for an additional 1000 kilometers of the state core road network.

9. During the Project implementation period and commencing with the Fiscal Year 2004-2005, Uttar Pradesh shall prepare and disseminate to the public, for each Fiscal Year:

(a) an annual business plan of the Public Works Department, by no later than March 31 of the previous Fiscal Year; and

(b) an annual report of the Public Works Department demonstrating, among other things, the department's performance during the Fiscal Year, by no later than July 30 of the following Fiscal Year.

Surveys and Data Collection

10. Following the Effective Date of the Project, Uttar Pradesh shall: (i) by no later than November 30 of each year, or such later date agreed with the Bank, until completion of the Project, conduct annual road condition and traffic surveys on core road network with methodology and content as agreed with the Bank; and (ii) by February 28 of the following year, or by such later date agreed with the Bank, provide a report of such surveys to the Bank.

11. Uttar Pradesh shall:

(a) by no later than June 30, 2004, develop and establish a modern road information and maintenance management system;

(b) utilize the road management system referred to in sub-paragraph (a), above, to plan and monitor: (i) all regular maintenance work on the state core road network, by no later than March 31, 2005, and (ii) all other state road maintenance work undertaken by the Public Works Department, by no later than December 31, 2007.

12. Uttar Pradesh shall: (i) conduct, at least three times during the period of Project implementation, a road user survey, with methodology and content as agreed with the Bank, to assess road users' satisfaction with the Public Works Department's performance in maintaining and operating the road network, to assess opinions regarding current and potential sector targets and to make comparisons with attitudes expressed in previous surveys; and (ii) furnish to the Bank and make public the report of the first such survey by no later than nine months following the Effective Date, the report of the second such survey by March 31, 2005, and the report of the third such survey by December 31, 2007.

13. Uttar Pradesh shall commence, by no later December 31, 2003, holding annual road sector forums to obtain feedback from major stakeholders in the road and transport sectors on the progress and improvements made during the previous year in service delivery and sector reform. Stakeholders participating in these forums shall include representatives of relevant government departments and agencies, road user and transport

associations, relevant non-governmental organizations, business and agriculture interests and the road construction industry.

Environmental and Social Management; Resettlement and Rehabilitation

14. Uttar Pradesh shall maintain the following entities, each with a composition and necessary powers, functions and resources, as agreed with the Bank, throughout the Project implementation period until the Closing Date:

(a) an Environment and Social Management Cell within the Public Works Department to oversee implementation of the Environmental Management Plans, the Environmental and Social Management Plan and the Resettlement Action Plan; and

(b) a District-Level Grievance Redress Committee in each district of Uttar Pradesh in which the Project is to be carried out.

15. Uttar Pradesh shall implement, in a manner satisfactory to the Bank, the environmental mitigation, monitoring, institutional strengthening and other measures set forth in the Environmental Management Plans and the Environmental and Social Management Plan in accordance with the objectives, policies, procedures, time schedule and other provisions set forth therein and shall not take any action which would prevent or interfere with such implementation.

16. Without limiting the generality of the foregoing paragraph 15 of this Schedule 2, Uttar Pradesh shall:

(a) in the case of any works, for which detailed environmental studies have not been completed or finalized as of November 15, 2002, under Part A.1 (highway and road improvements), Part B.1 (highway and road rehabilitation) and Parts D.1 and D.3 (road safety and traffic operations) of the Project:

(i) refrain from inviting bids for such works; or

(ii) if no bidding process is involved, refrain from selecting a contractor for such works, unless Uttar Pradesh has first submitted to the Bank the relevant environmental assessment reports, environmental management plans and environment and social management plans for such works, all of which shall be satisfactory to the Bank; and

(b) ensure that: (i) all necessary and applicable environmental and forestry clearances for any works or other activities under the Project, which require such clearances, are obtained from relevant government authorities; (ii) copies of such clearances are submitted to the Bank before contracts for such works or other activities are

awarded; and (iii) all conditions imposed by the relevant governmental authorities under such clearances are complied with.

Resettlement and Rehabilitation

17. Uttar Pradesh shall undertake the resettlement and rehabilitation of persons affected by the Project in accordance with the provisions set forth in the Resettlement Action Plan in a manner satisfactory to the Bank.

18. Without limiting the generality of the foregoing paragraph 17 of this Schedule 2, Uttar Pradesh shall:

(a) furnish to the Bank any revisions proposed to be introduced to the Resettlement Action Plan in order to achieve its objectives and, thereafter, introduce such revisions to the Resettlement Action Plan, as agreed with the Bank;

(b) in the case of any works, which have not been covered by the Resettlement Action Plan, under Part A.1 (highway and road improvements), Part B.1 (highway and road rehabilitation) and Parts D.1 and D.3 (road safety and traffic operations) of the Project:

(i) refrain from inviting bids for such works; or

(ii) if no bidding process is involved, refrain from selecting a contractor for such works, unless Uttar Pradesh has first submitted to the Bank any relevant updates or amendments to the Resettlement Action Plan, which shall be satisfactory to the Bank, setting forth, details regarding resettlement and rehabilitation of persons affected by the Project;

(c) cause to be prepared by an external agency, with terms of reference satisfactory to the Bank, two impact evaluation reports, with a format and content satisfactory to the Bank, to assess the changes in the living standards of project affected persons, the first such report to be furnished to the Bank by November 30, 2004 and the second such report to be furnished to the Bank within 120 days following the complete implementation of the Resettlement Action Plan.

Allocation of Resources

19. Uttar Pradesh shall incrementally increase, in a manner agreed with the Bank, road maintenance funding for its state core road network to ensure that, by no later than the Project's completion date, the actual amount of funds, which are available and utilized for road maintenance, is equal to at least 80% of the prescribed amount for such funds under norms chosen for this purpose by Uttar Pradesh and the Bank.

Mid Term Review

20. Uttar Pradesh 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 Bank, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by April 30, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (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 objective thereof during the period following such date; and

(c) review with the Bank, by June 30, 2005, or such later date as the Bank shall request, the report referred to in subparagraph (b) 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 Bank's views on the matter.