

CONFORMED COPY

CREDIT NUMBER 2774 IN
(Amendment)

Agreement Amending
Development Credit Agreement

(Hydrology Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 22, 1996

CREDIT NUMBER 2774 IN
(Amendment)

AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 22, 1996, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) by the Development Credit Agreement dated September 22, 1995 (hereinafter called the Development Credit Agreement) between the Borrower and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to ninety million one hundred thousand Special Drawing Rights (SDR 90,100,000) (the Credit) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) by the Project Agreement dated September 22, 1995 (hereinafter called the Project Agreement) between the Association and the States of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu (hereinafter called the Project States), the Project States have agreed to undertake certain obligations in respect of the carrying out of Part A of the Project;

(C) the Borrower has also requested the Netherlands Minister of Development Cooperation (hereinafter the Minister) to provide additional assistance towards the financing of the technical assistance under the Project, and pursuant to an exchange of letters

dated April 1, 1996, and April 25, 1996 between the Borrower and the Netherlands Minister of Development Cooperation (hereinafter referred to as the Dutch Grant Agreement), the Minister has agreed to provide such an assistance in an aggregate principal amount equivalent to twenty nine million nine hundred thousand Netherlands Guilders (NGL 29,900,000) (hereinafter referred to as the Dutch Grant);

(D) the Borrower has requested the Association to agree to use the savings in the Credit resulting from Dutch Grant financing, to finance the costs of carrying out the Project in Karnataka, and the Association, after due consideration, has agreed to this request; and

NOW THEREFORE the parties hereto, hereby agree to the following amendments to the Development Credit Agreement:

ARTICLE I

Definitions

The following two definitions are added at the end of Section 1.02:

"(m) 'Karnataka' means the State of Karnataka of the Borrower or any successor thereto; and

(n) 'Karnataka Agreement' means the agreement between the Association and Karnataka of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Karnataka Agreement."

ARTICLE III

Execution of the Project

(i) Section 3.01 (c) is deleted and replaced with the following:

"Section 3.01. (c) Without limitation or restriction upon any of its obligations under this Agreement, the Borrower shall cause the Project States to perform in accordance with the provisions of the Project Agreement, and Karnataka in accordance with the provisions of the Karnataka Agreement, all the obligations of the Project States and Karnataka therein set forth, respectively, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable the Project States and Karnataka to perform such obligations, and shall not take or permit to be taken any action which would interfere with such performance."

(ii) The term 'Karnataka' is added after the term 'Project States' in Section 3.01 (d).

(iii) Section 3.02 is deleted and replaced with the following:

"Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit, and consultants' services required for the Project and to be financed out of the proceeds of the Dutch Grant, shall be governed by the provisions of Schedule 3 to the Development Credit Agreement, as amended by this Agreement."

(iv) The following is added at the end of Section 3.03.

"and by Karnataka pursuant to Section 2.03 of the Karnataka Agreement."

ARTICLE V

Remedies of the Association

(i) A new paragraph (c) is added and reads as follows:

"(c) Karnataka shall have failed to perform any of its obligations under the Karnataka Agreement."

(ii) A new paragraph (d) is added and reads as follows:

"(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Karnataka shall be able to perform its obligations under the Karnataka Agreement."

(iii) A new paragraph (e) is added, and reads as follows:

"(e) (i) Subject to subparagraph (ii) of this paragraph, the technical assistance financed by the Dutch Grant under the Project shall have been terminated in whole or in part, pursuant to the terms of the Dutch Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the technical assistance under the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement."

ARTICLE VI

Effective Date; Termination

New Sections 6.03, 6.04 and 6.05 are added and read as follows:

"Section 6.03. The following is specified as an additional matter for the effectiveness of the Agreement Amending Development Credit Agreement and the Karnataka Agreement within the meaning of Section 12.01(b) of the General Conditions, namely, that all the necessary clearances and approvals for Karnataka joining the Project have been obtained.

Section 6.04. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion to be furnished to the Association, namely, that the Karnataka Agreement has been duly authorized or ratified by Karnataka, and is legally binding upon Karnataka in accordance with its terms.

Section 6.05. The date ninety (90) days after the date of the Agreement Amending Development Credit Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions, for the purposes of the Agreement Amending Development Credit Agreement and the Karnataka Agreement."

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table in paragraph 1 of Schedule 1 to the Development Credit Agreement is deleted and substituted with the following table:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	20,700,000	80%
(2) Goods	32,400,000	100% of foreign expenditures, 100% of local expenditures

		(ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Training and studies	4,200,000	100%
(4) Incremental staff salaries and incremental operation and maintenance costs	24,600,000	90% until March 31, 1999, 75% until March 31, 2000, and 50% thereafter
(5) Unallocated	8,200,000	
TOTAL	<u>90,100,000</u>	=====

2. A new paragraph 5 is added in Schedule 1, and reads as follows:

"5. Notwithstanding the provisions of paragraphs 1 and 3 above, no withdrawals shall be made in respect of payments made by Karnataka for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 300,000 may be made on account of payments made by Karnataka for expenditures before that date but after March 31, 1996."

SCHEDULE 2

Description of the Project

The term "and Karnataka" is added after the term "Project States."

SCHEDULE 3

Procurement and Consultants' Services

The term "and Karnataka" is added after the term "Project States."

Paragraphs 1 and 2 of Section II, "Employment of Consultants," in this Schedule, are deleted and replaced with the following:

"1. In order to assist in the carrying of the Project, the Borrower shall ensure that consultants financed under the Dutch Grant shall be selected in accordance with terms of reference agreed with the Association, and shall have qualifications and experience acceptable to the Association."

SCHEDULE 5

Implementation Program

Paragraph 2 is deleted and the rest of the paragraphs are renumbered accordingly.

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.

INDIA

By /s/ N. Valluri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood
Regional Vice President
South Asia

