

CONFORMED COPY

CREDIT NUMBER 1959 IN  
LOAN NUMBER 2994 IN

(States Road Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

STATE OF BIHAR  
and  
STATE OF MAHARASHTRA  
and  
STATE OF RAJASTHAN  
and  
STATE OF UTTAR PRADESH

Dated November 17, 1988

PROJECT AGREEMENT

AGREEMENT, dated November 17, 1988, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the STATES OF BIHAR, MAHARASHTRA, RAJASTHAN AND UTTAR PRADESH, acting by their respective Governors (hereinafter collectively referred to as "States" and severally in each case as "State").

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 sixty-two million two hundred thousand Special Drawing Rights (SDR 62,200,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the States 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 India, acting by its President (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in

various currencies equivalent to one hundred seventy million dollars (\$170,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the States agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS each State, 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 otherwise requires, the several terms defined in the Development Credit Agreement, the Loan Agreement, the Preamble to this Agreement and 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) Each State 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 its respective Part of 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 the concerned State shall otherwise agree:

- (i) each State shall carry out its respective Part of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement; and
- (ii) each State shall design, construct, strengthen and maintain roads under the Project in accordance with the design standards and specifications specified by India Roads Congress in their issue numbers 3, 37 and 73.

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 and the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Each State 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 and such Parts of the Project as are carried out within its territory.

Section 2.04. (a) Each State shall, at the request of the Association or 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 the Loan.

(b) Each State 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 the Loan, or the performance by it of its obligations under this Agreement.

#### ARTICLE III

##### Financial Covenants

Section 3.01. (a) Each State shall maintain and cause its departments and other agencies and authorities responsible for the carrying out of the Project or any part thereof to maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition in respect of the Project.

(b) Each State shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each financial 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, certified copies of 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 and accounts 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, the Bank and of each State thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which both the Development Credit Agreement and the Loan Agreement shall have terminated in accordance with their terms; or
- (ii) the date 25 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 and the Bank shall promptly notify the States 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:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
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:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For Bihar:

Secretary to the Government of Bihar  
Road Construction Department  
Patna, Bihar, India

Cable address:

Bihar Works  
PATNA

Telex:

031-66104

For Maharashtra:

Secretary to the Government of Maharashtra  
Public Works Department  
Mantralaya, Bombay, India

Telex:

114243 DGPR IN

For Rajasthan:

Secretary to the Government of Rajasthan  
Public Works Department  
Jaipur, India

Cable address:

Telex:

Work Sec  
JAIPUR

365-2306 PWD R

For Uttar Pradesh:

Secretary to the Government of Uttar Pradesh  
Public Works Department  
Lucknow, Uttar Pradesh, India

Telex:

0535-259 CH

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 a State may be taken or executed by a Secretary to the Government of such State or such other person or persons as the State shall designate in writing, and the State shall furnish to 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 the States and so long as the Development Credit Agreement shall not have terminated prior to the termination of the Loan Agreement:

(a) the obligations of each State 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, each State 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.

Section 5.05. Any amendment to the provisions of this Agreement as applicable to each State may be made by an agreement among the Association, the Bank and such State.

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/ Attila Karaosmanoglu  
Regional Vice President  
Asia

STATE OF BIHAR  
STATE OF MAHARASHTRA  
STATE OF RAJASTHAN  
STATE OF UTTAR PRADESH

By /s/ Anil Kumar

Authorized Representative

#### SCHEDULE 1

#### Procurement and Consultants' Services

##### Section I: Procurement of Goods and Works

##### Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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).

2. Bidders for the works to be procured in accordance with the provisions of paragraph 1 above shall be prequalified as described in paragraph 2.10 of the Guidelines.

##### Part B: Preference for Domestic Manufacturers

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

##### Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, a margin of preference to domestic contractors may be granted in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

##### Part D: Other Procurement Procedures

1. Small contracts for civil works, up to an aggregate amount of \$5,000,000 equivalent in each State, may be awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Association and the Bank.

2. Preliminary earth works in Rajasthan may be carried out by force account.

3. Contracts for items or groups of items estimated to cost the equivalent of \$10,000 each or less, up to an aggregate amount of \$150,000, may be procured under quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association and the Bank.

4. Specialized equipment selected in agreement with the Bank, up to an aggregate amount of \$3,500,000 equivalent may be procured under contracts negotiated directly with one or more suppliers of such equipment in accordance with procedures satisfactory to the Association and the Bank.

##### Part E: Review by the Association and the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract referred to in Part A of this Schedule 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association or the Bank has authorized withdrawals from the Credit Account or the Loan 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.

## Section II: Employment of Consultants

In order to assist the States in carrying out the Project, each State 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

##### A. The States

1. In order to assist in the coordination of implementation of its respective Part of the Project, each State shall establish a supervisory unit which shall be headed by an officer of an appropriate senior rank and shall include an adequate number of suitably qualified and experienced staff.

2. Each State shall take necessary steps, agreed with the Association and the Bank, for the provision of training for staff of its respective Public Works Department at a level lower than the professional staff.

3. Each State shall: (i) undertake and complete no later than December 31, 1992 a study to introduce a Road Maintenance Management System referred to in Part F.(a)(ii) of the Project; and (ii) take necessary steps to progressively introduce a Road Maintenance Management System in accordance with the recommendations arising from said study that are agreed upon among the Association, the

Bank and the concerned State.

4. Each State shall approve, prior to the beginning of each financial year, all administrative action necessary to carry out the next year's construction program under its respective Part of the Project.

5. Prior to the commencement of land acquisition for the Project, each State shall, in relation to the land to be so acquired: (i) furnish to the Association and the Bank a detailed report on the nature and extent of any involuntary resettlement of individuals (including those resident on such land who may not have legal title to it) and any loss of private incomes which could arise from such acquisition of land; and (ii) take all necessary steps, agreed with the Association and the Bank, for the resettlement and rehabilitation of all individuals adversely affected by the Project in a manner adequate to restore such individuals at least to the standard of living enjoyed by them prior to the implementation of the Project.

B. Bihar

6. Bihar shall: (i) furnish to the Association and the Bank no later than June 30, 1989 a time bound action plan for the completion of the Bhagalpur bypass road under Part A(2) of the Project so that it is open to traffic prior to the completion of the Bhagalpur bridge under Part A(1) of the Project; and (ii) thereafter take all necessary steps to carry out the said action plan on a timely basis.

C. Maharashtra

7. Maharashtra shall take all necessary steps on a timely basis to: (i) complete by December 31, 1990 the study referred to in Part F.(a)(iii) of the Project; and (ii) thereafter take necessary steps on a timely basis to implement such recommendations arising from such study as are agreed upon among Maharashtra, the Association and the Bank.

