

**CONFORMED COPY**

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**CREDIT NUMBER 4133 - IN**

# **Project Agreement**

**(Himachal Pradesh Mid-Himalayan Watershed Development Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**STATE OF HIMACHAL PRADESH**

**Dated January 19, 2006**

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**CREDIT NUMBER 4133 - IN**

**PROJECT AGREEMENT**

AGREEMENT, dated January 19, 2006, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF HIMACHAL PRADESH, acting by its Governor (Himachal Pradesh).

WHEREAS (A) 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 forty one million four hundred thousand Special Drawing Rights (SDR 41,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Himachal Pradesh agrees to undertake such obligations toward the Association as are set forth in the Development Credit Agreement and in this Agreement;

(B) the Project will be carried out by Himachal Pradesh with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Himachal Pradesh the proceeds of the Credit as provided in the Development Credit Agreement; and

WHEREAS Himachal Pradesh, 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 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) Himachal Pradesh 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 through NRMS with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and with

due regard to social and environmental considerations, 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, Himachal Pradesh shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this 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.

(b) Himachal Pradesh shall update its Procurement Plan dated November 9, 2005 in accordance with guidelines acceptable to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 2.03. (a) Himachal Pradesh 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 (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 the Project.

(b) For the purposes of Section 9.07 of the General Conditions Applicable to the Development Credit Agreement, and without limitation thereto, Himachal Pradesh 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 Himachal Pradesh, a plan satisfactory to the Association designed to ensure the continued achievement of the Project's objective; and
- (ii) afford the Association a reasonable opportunity to exchange views with Himachal Pradesh on said plan.

Section 2.04. (a) Himachal Pradesh 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) Himachal Pradesh 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 Himachal Pradesh of their obligations under this Agreement.

Section 2.05. Himachal Pradesh shall make available to Beneficiaries in a timely manner and on a grant basis the proceeds of the Credit made available to Himachal Pradesh by the Borrower for the purposes of the Project, as well as additional funds as required from Himachal Pradesh's own resources to cover Himachal Pradesh's share of the cost of the Project.

### **ARTICLE III**

#### **Financial Covenants**

Section 3.01. (a) Himachal Pradesh shall cause NRMS to maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project of the departments or agencies of Himachal Pradesh responsible for carrying out the Project or any part thereof.

- (b) Himachal Pradesh shall cause NRMS to:
  - (i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
  - (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon Himachal Pradesh's reporting obligations set out in paragraph 8 of Schedule 2 to this Agreement, Himachal Pradesh

shall cause NRMS to prepare and furnish to the Association 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 not 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 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 Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Himachal Pradesh 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 their 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 Himachal Pradesh 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 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 Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

Facsimile:

(202) 477-6391

For Himachal Pradesh:

Chief Secretary  
Government of Himachal Pradesh  
Himachal Pradesh, India

Facsimile:

0177-2621813

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 Himachal Pradesh may be taken or executed by its Chief Secretary or such other person or persons as Himachal Pradesh shall designate in writing, and Himachal Pradesh 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 F. Carter  
Country Director, India

STATE OF HIMACHAL PRADESH

By

/s/ Ashok Thakur  
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", dated May 2004 and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Goods estimated to cost less than \$500,000 equivalent per contract, and works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. Shopping

Goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines. Contracts for vehicles costing less than \$100,000, however, may be purchased on the basis of shopping

procedures. Director General Supplies & Disposal (DGS&D) rate contracts are acceptable as a substitute to shopping procedures.

3. Direct Contracting

Goods which are proprietary in nature and estimated to cost less than \$10,000 equivalent per contract may all be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and estimated to cost less than \$30,000 equivalent per contract, may be carried by force account in accordance with the provisions of the said paragraph of the Guidelines provided, however, that the aggregate costs under Force Account shall not exceed 5% of the total cost of works under the Project.

5. Panchayat and Community Participation in Procurement

Goods and works required for Subprojects shall be procured in accordance with procedures acceptable to the Association, and specified in the Operations Manual.

Part D: Review by the Association 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 Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to any contract for goods or works estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraphs 1 and 2 of this Part, the procedures 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 the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", dated May 2004 and the following provisions of Section II of this Schedule.

### Part B: Quality- and Cost-based Selection

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 2.13 through 2.28 thereof applicable to quality- and cost-based selection of consultants. Short lists of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. 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 and 3.7 of the Consultant Guidelines.

#### 2. Single Source Selection

Services estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 3. Individual Consultants

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

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for their review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association and with the provisions of said paragraph 1.

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, terms of reference and terms of employment of the consultants shall be furnished to the Association 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.

(c) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association 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**

#### Institutional Provisions

1. Himachal Pradesh shall:

(a) establish a society, designated as the National Resource Management Society or NRMS, whose mandate, terms of reference and composition shall be acceptable to the Association, to provide overall guidance and policy support in the implementation of the Project, and facilitate inter-agency coordination; and

(b) designate the Executive Committee of the NRMS, as defined in the by-laws of the NRMS, to be responsible for overall implementation of the Project, and a Chief Project Director to be responsible for the day-to-day management of the Project, including management of procurement and disbursement activities, consolidation of annual work programs and budgets, preparation and production of annual progress reports and financial statements, and monitoring and evaluation of the Project.

2. Himachal Pradesh shall ensure that:

(a) the Chief Project Director shall be assisted by two regional resource units headed by Regional Project Directors and eleven Watershed Development Officers (WDOs);

(b) in each of the districts included in the Project Area, a Watershed Development Officer (WDO) at the level of a District level Officer shall be appointed to be responsible, respectively, for appraisal of GPWDPs, technical assistance and facilitation of Project implementation in their respective districts; and

(c) the positions referenced in sub paragraphs (a) and (b) above shall as far as reasonably practicable be kept filled at all times by suitably qualified and experienced persons.

3. Himachal Pradesh shall, not later than May 31, 2006, appoint and thereafter maintain throughout the implementation period of the Project, internal auditors having qualifications and experience acceptable to the Association, to be responsible under terms of reference acceptable to the Association for internal audits under the Project.

4. Himachal Pradesh shall establish and thereafter maintain throughout the implementation period of the Project, a list acceptable to the Association of Gram Panchayats to carry out Subprojects for the purposes of the Project.

Terms and Conditions Governing Subprojects

5. Further to the provisions of Section 2.05 of this Agreement, Himachal Pradesh shall finance Subprojects on terms and conditions acceptable to the Association, including but not limited to the following:

(a) the amount so allocated shall be used exclusively to finance Subprojects in accordance with the criteria and procedures specified in the Operations Manual;

(b) the amount allocated for each Subproject shall be determined according to a pre-determined cost-sharing formula, which shall be acceptable to the Association, and specified in the Operations Manual; provided, however, that no part of the proceeds of the Credit shall be used to finance taxes or duties levied on or in respect of Eligible Expenditures relating to the Subproject or any part thereof;

(c) goods, works and services required for purposes of a Subproject shall be procured in accordance with procedures referred to in Schedule 1 to this Agreement and set forth in the Operations Manual;

(d) for purposes of each Subproject, Himachal Pradesh shall sign an agreement (hereinafter referred to as Financing Agreement) with the Beneficiary on terms and conditions acceptable to the Association and in the form of the model set forth in the Operations Manual, setting forth the respective obligations of the parties thereunder, including:

- (i) details of agreed disbursement schedules and procurement procedures;
- (ii) a list of goods, works and services to be financed;
- (iii) the amount of the Beneficiary's contribution, whether in cash or in kind, to the cost of the Subproject including the Gram Panchayat Maintenance Fund; and
- (iv) an undertaking on the part of the Beneficiary to execute the Subproject with due diligence and, upon its completion, to provide for its operation and maintenance.

Work Programs, Midterm Review and Reports

6. Himachal Pradesh shall:

(a) not later than January 31 in each year, beginning on January 31, 2007, furnish to the Association for its review and comments a proposed annual work program

and budget for the next following Fiscal Year, giving details of its proposed work program activities and budget estimates for the Project for the forthcoming Fiscal Year;

(b) proceed thereafter to implement the annual work program and budget, taking into account such comments as may have been made thereon by the Association.

7. Himachal Pradesh shall implement the Project in accordance with the Operations Manual and, except as the Association shall otherwise agree, Himachal Pradesh shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

8. Not later than forty five (45) days after the end of each calendar quarter, beginning not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, Himachal Pradesh shall cause NRMS to submit to the Association consolidated quarterly reports on the progress of the Project, according to a format acceptable to the Association and set forth in the Operations Manual.

9. Himachal Pradesh shall:

(a) not later than September 30, 2006, carry out a base-line survey of the Project and promptly thereafter furnish to the Association the results and recommendations of such base-line survey;

(b) 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 objective thereof;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than September 30, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (b) of this Section, on the progress achieved in carrying out 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

(d) review with the Association by October 31, 2006, or such later date as the Association shall request, the reports referred to in paragraph (c) of this Section, 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 reports and the Association's views on the matter.

Environmental and Social Safeguards Management

10. Without limitation upon the provisions of paragraph 8 of this Schedule, Himachal Pradesh shall submit to the Association six-monthly progress reports on compliance with social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the ESMF, IPMP and TTS, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF, IPMP and TTS, and remedial measures taken or required to be taken to address such conditions.

11. Himachal Pradesh shall ensure that:

(a) the Project shall be implemented, as far as reasonably practicable, using exclusively land free from squatters, encroachments or other encumbrances, and without recourse to compulsory acquisition of land, forcible eviction or involuntary resettlement of persons; and

(b) where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken in accordance with guidelines and procedures acceptable to the Association.