

CONFORMED COPY

CREDIT NUMBER 2329 IN

(Shrimp and Fish Culture Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ANDHRA PRADESH
STATE OF BIHAR
STATE OF ORISSA
STATE OF UTTAR PRADESH
and
STATE OF WEST BENGAL

Dated January 29, 1992

CREDIT NUMBER 2329 IN

PROJECT AGREEMENT

AGREEMENT, dated January 29, 1992, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF ANDHRA PRADESH, STATE OF BIHAR, STATE OF ORISSA, STATE OF UTTAR PRADESH and STATE OF WEST BENGAL, acting by their respective Governors (Project States).

WHEREAS 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 nine hundred thousand Special Drawing Rights (SDR 62,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Project States agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS the Project States, 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, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. The Project States declare their 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 Parts A, B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and fisheries practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. 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.

Section 2.03. The Project States 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 Parts A, B and C of the Project.

Section 2.04. (a) The Project States shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of their respective obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) The Project States 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 the Project States of their respective obligations under this Agreement.

Section 2.05. (a) Except as the Association may otherwise agree, each Project State shall ensure that the relevant Participating Bank, acting as a financial agent on behalf of such State, provides relevant Project Sub-loans to relevant Project Beneficiaries for carrying out relevant Sub-projects under Parts A.2 and B.2 of the Project in accordance with:

- (i) the provisions of the relevant Participation Agreement;
- (ii) terms and conditions of Project Sub-loans satisfactory to the Association including those set forth in Schedule 2 to this Agreement; and
- (iii) criteria satisfactory to the Association, including those set forth in Schedule 3 to this Agreement, for the selection of: (A) Individual Shrimp Beneficiaries eligible to receive Shrimp Working Capital Sub-loans for carrying out Shrimp Working Capital Sub-projects; and (B) Cooperative Beneficiaries eligible to receive Category I Fish Working Capital Sub-loans and Category II Fish Working Capital Sub-loans for carrying out Category I Fish Working Capital Sub-projects and Category II Fish Working Capital Sub-projects,

respectively.

(b) Each Project State shall exercise its rights under the relevant Participation Agreement in such manner as to protect the interests of such State and the Association, and except as the Association shall otherwise agree, such State shall not assign, amend, abrogate or waive such Participation Agreement or any provision thereof.

(c) Each Project State shall ensure that the relevant Participating Bank exercises its rights under the relevant Project Sub-loan Agreement in such manner as to protect the interests of such Participating Bank, such State and the Association, and shall further ensure that except as such State shall otherwise agree, such Participating Bank shall not assign, amend, abrogate or waive such Sub-loan Agreement or any provision thereof.

Section 2.06. The relevant Project States shall carry out the development of shrimp ponds under Part A.1 (a) of the Project in such sites acceptable to the Association.

Section 2.07. Each Project State shall ensure that its FFDA and BFDA are adequately staffed with personnel having experience in social and cooperative development.

Section 2.08. For the purpose of implementing Part C.3 of the Project, each Project State shall carry out such mitigatory actions, satisfactory to the Association, as required for preventing, reducing or eliminating the potential negative effects of the Project on the environment.

Section 2.09. Except as the Association may otherwise agree, each Project State shall take steps, satisfactory to the Association, to ensure that shrimp ponds developed under Part A.1 of the Project and fishing reservoirs and ox-bow lakes developed under Part B.1 of the Project shall be leased immediately upon their completion under leases containing such terms and conditions satisfactory to the Association including those set forth in Schedule 4 to this Agreement.

Section 2.10. Each Project State shall ensure that such Shrimp Sub-projects as carried out under Part A.2 of the Project by entities wholly- or partially-owned by the State included within the category of Shrimp Beneficiaries shall:

(a) upon the completion of such Shrimp Sub-projects be managed through entities wholly- or majority-owned by private entrepreneurs under arrangements, including performance criteria, satisfactory to the Association; and

(b) within a period not exceeding 2 years after such completion, take steps, satisfactory to the Association, to divest the State's interests in such entities wholly- or partially-owned by the State.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Project States shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A, B and C of the Project and the departments or agencies of the Project States responsible for carrying out the Project.

(b) The Project States shall:

(i) have the records and accounts 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 nine months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report 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, as the Association 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 the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Project States 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 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 the Project 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.

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:

197688 (TRT),
248423 (RCA),
64145 (WUI) or

For Andhra Pradesh:

Chief Secretary
Government of Andhra Pradesh
Hyderabad, Andhra Pradesh 500022, India

Cable address:

CHIEFSEC
Hyderabad
Andhra Pradesh, India

For Bihar:

Chief Secretary
Government of Bihar
Patna 800001
Orissa, India

Cable address:

CHIEFSEC
Patna, Bihar
India

For Orissa:

Chief Secretary
Government of Orissa
Bhubaneswar 751001
India

Cable address:

CHIEFSEC
Bhubaneswar
Orissa, India

Telex:

953067210

For Uttar Pradesh:

Chief Secretary
Government of Uttar Pradesh
Luckhnow
Uttar Pradesh,
India

Cable address:

CHIEFSEC
Luckhnow
Uttar Pradesh,
India

For West Bengal:

Chief Secretary
Government of West Bengal
Calcutta
West Bengal, India

Cable address:

CHIEFSEC
Calcutta
West Bengal,
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 any Project State may be taken or executed by

its Chief Secretary or such other person or persons as such Project State shall designate in writing, and such Project State 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph Wood

Regional Vice President
South Asia

STATE OF ANDHRA PRADESH
STATE OF BIHAR
STATE OF ORISSA
STATE OF UTTAR PRADESH
STATE OF WEST BENGAL

By /s/ Lalit Mansingh

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: Procurement Procedures

1. Except as provided in paragraphs 2 and 3 hereof, civil works, and equipment and vehicles under Categories (1) and (2), respectively, of the table in paragraph 1 of Schedule 1 to the Development Credit Agreement shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not to exceed \$4,000,000, may be carried out through force account.

3. Equipment and vehicles estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,600,000 may be, and boats and furniture shall be, procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Fishmeal shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for civil works estimated to cost the equivalent of \$200,000 or more and each contract for equipment, fishmeal and vehicles estimated to cost the equivalent of \$100,000 or more, 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 pursuant to said paragraph 2 (d) shall be furnished to the Association 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 pursuant to said paragraph 3 shall be furnished to the Association 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 subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist the Borrower and the Project States in carrying out the Project, the Borrower and the Project States shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association 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

Terms and Conditions of Sub-loans

1. Each Project Sub-loan shall be made by a Participating Bank pursuant to the provisions of the relevant Participation Agreement and, unless otherwise agreed by the Association, shall include the following terms and conditions:

- (a) Amount. (i) The amount of a Shrimp Sub-loan for a Shrimp Sub-project or a Fish Sub-loan for a Fish Sub-project shall not exceed 80% of the cost of such Sub-project. (ii) The amount of a Shrimp Working Capital Sub-loan for a Shrimp Working Capital Sub-project, or a Category I Fish Working Capital Sub-loan for a Category I Fish Working Capital Sub-project, or a Category II Fish Working Capital Sub-loan for a Category II Fish Working Capital Sub-project may be up to 100% of the cost of such Sub-project.
- (b) Term. (i) Shrimp Sub-loans and Fish Sub-loans may be made for a term of up to ten years and may include a grace period not exceeding one year. (ii) Shrimp Working Capital Sub-loans, Category I Fish Working Capital Sub-loans and Category II Fish Working Capital Sub-loans may be made for a term of up to three years.
- (c) Interest. The interest rate for each Project Sub-loan

(i) referred to in clause b (i) of this paragraph shall be at the prevailing market rate but not less than 16%; and (ii) referred to in clause b (ii) of this paragraph shall be at the prevailing market rate but not less than 14%.

- (d) Security. For the payment of principal and interest on Project Sub-loans, the normal security arrangements of the Participating Banks shall be followed.
- (e) Disbursements. Disbursements under a Project Sub-loan shall be made based on progress in the implementation of the respective Sub-project.

2. No Project Sub-loan for a Sub-project shall be made unless:

(a) in the case of a Shrimp Working Capital Sub-loan to an Individual Shrimp Beneficiary, and a Category I Fish Working Capital Sub-loan and a Category II Fish Working Capital Sub-loan to a Cooperative Beneficiary, such Beneficiaries shall have been selected by the relevant Project States in accordance with criteria, satisfactory to the Association, including those set forth in Schedule 3 to this Agreement;

(b) the relevant Participating Bank shall have appraised such Sub-project for its technical, financial and economic soundness; and

(c) the relevant Project State shall have approved such Sub-project based on such appraisal and the application, if necessary, of such selection criteria.

3. A Shrimp Sub-loan made to an entity wholly- or partially-owned by the State included within the category of Shrimp Beneficiary for a Shrimp Sub-project under Part A.2 of the Project shall include the following additional undertakings from such entity:

(a) that such entity wholly- or partially-owned by the State shall manage such Shrimp Sub-project upon its completion through an entity wholly- or partially-owned by private entrepreneurs under arrangements, including performance criteria, satisfactory to the Association; and

(b) that within a period not exceeding 2 years after such completion, such entity wholly- or partially-owned by the State shall take steps, satisfactory to the Association, to divest the State's interest in such entity.

4. Project Sub-loans shall be made on terms whereby the Participating Banks shall obtain, by Project Sub-loan Agreements with Project Beneficiaries, rights adequate to protect the interests of the Association, the Participating Banks and the Project States, including, the right to:

(a) require Project Beneficiaries to carry out and operate the respective Sub-projects with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and works to be financed out of the proceeds of the respective Project Sub-loans shall be purchased or executed at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of works, of their quality and the competence of the parties executing them; and (ii) such goods and works shall be used exclusively in the carrying out of the respective Sub-projects;

(c) inspect, by itself or jointly with representatives of the Association or the Project States if they shall so request, such goods, works, plants and construction included in the Sub-projects,

the operation thereof, and any relevant records and documents;

(d) obtain all such information as the Association, the Participating Banks or the Project States shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Project Beneficiaries and to the benefits to be derived from the Sub-projects; and

(e) suspend or terminate the right of the Project Beneficiaries to the use of the proceeds of the respective Project Sub-loans upon failure by them to perform their obligations under the respective Sub-loan Agreements or upon notice by the Association that it intends to exercise its remedies under Article V of the Development Credit Agreement.

SCHEDULE 3

Procedures and Criteria for Selection of Individual Shrimp Beneficiaries and Cooperative Beneficiaries referred to in Section 2.05 (a) (iii) of this Agreement

I. Individual Shrimp Beneficiaries (ISBs)

1. ISBs shall be selected for carrying out Shrimp Working Capital Sub-projects utilizing the proceeds of Shrimp Working Capital Sub-loans under Part A.2 of the Project by a sub-committee including the Block Development Officer, a representative of the local Panchayat, the Fisheries Extension Officer or the District Fisheries Officer, the local Bank Manager of the Participating Bank, the Chief executive officer of the BFDA, and a representative of an active non-governmental organization. At least 10% of ISBs shall be targetted to women head of households selected in accordance with paragraph 3 below.

2. The process of selection shall be phased so as to coincide with the development of the shrimp pond sites under Part A.1 (a) of the Project, to enable production groups referred to in paragraph 6 of Section I of Schedule 4 to this Agreement to be formed at a sufficiently early stage and to permit commercial and technical training to be provided before such sites are leased pursuant to Section 2.09 of this Agreement.

3. The criteria to be applied for the selection of ISBs shall be as follows:

(a) such individuals shall be selected from the weaker socio-economic sections to be determined based on a socio-economic review of the villages adjacent to the sites referred to in paragraph 2 above;

(b) individuals belonging to the lowest income group of such section shall have priority;

(c) they shall be certified by an appropriate official to be engaged in fishing activities for their normal occupation; and

(d) they shall enter into leases in accordance with the provisions of Section I of Schedule 4 to this Agreement.

II. Cooperative Beneficiaries (CBs)

1. The criteria to be applied for the selection of CBs shall be as follows:

(a) those cooperatives in the Project States shall be selected that shall have revised their by-laws in a manner satisfactory to the Association providing, inter alia, for the following:

(i) membership shall be restricted to those engaged in fishing activities for their normal

occupation;

- (ii) at least 30% of members shall be targetted to women, either individually or jointly, including at least 10% to female head of households;
 - (iii) the managing committee shall be elected for not longer than a period of three years with no more than three nominated members, including one representative from an active non-governmental organization;
 - (iv) the Chairman of the managing committee shall be from one of the elected members of such committee and at least two such members shall be women; and
 - (v) proper accounts shall be maintained which shall be annually audited;
- (b) they shall be creditworthy and without any arrears;
 - (c) they shall adhere to all conservation and regulatory requirements of the relevant Project States; and
 - (d) they shall enter into new lease arrangements in accordance with Section II of Schedule 4 to this Agreement and shall not have conflicting prior leases.

2. The process of selection shall be phased so as to coincide with the development of the fish reservoirs and ox-bow lakes under Part B.1 of the Project and to permit commercial and technical training before such developments are leased pursuant to Section 2.09 of this Agreement.

SCHEDULE 4

Terms and Conditions of Leases referred to in Section 2.09 of this Agreement

I. Leases of Shrimp Ponds Developed under Part A.1 of the Project

1. At least 70% of such ponds to be leased shall be targetted to Individual Shrimp Beneficiaries selected in accordance with procedures and criteria set forth in Section I of Schedule 3 to this Agreement. Up to a maximum of 30% of such ponds to be leased shall be targetted to private entrepreneurs included within the category of Shrimp Beneficiaries carrying out Shrimp Sub-projects utilizing the proceeds of Shrimp Sub-loans (hereinafter "private entrepreneurs") (Individual Shrimp Beneficiaries and private entrepreneurs are sometimes collectively referred to herein as "Lessees").

2. Each pond shall be leased pursuant to a written Lease Agreement (hereinafter "Lease Agreement") between a relevant Project State (hereinafter the "Lessor"), a Lessee and a Participating Bank, the involvement of such Bank to be limited for purposes of paragraphs 3 and 5 hereof.

3. Lease payments shall be made by a Lessee through the Participating Bank party to the Lease Agreement.

4. Lease payments shall be calculated according to the following principles:

- (a) the overall cost of each site development shall first be determined, taking into account the cost of the clusters within such site, including common services and ponds, and 25% of the cost of the protection dykes, but excluding the cost of approach roads and electricity connections outside the clusters;

- (b) where such overall cost exceeds 5% of the estimated cost

of each such site, the actual amount of such overall cost to be used in setting lease payments shall be satisfactory to the Association;

(c) once the overall cost of each site development is determined pursuant to clauses (a) and (b) of this paragraph 4, such cost shall be apportioned to the pond subject to the lease (hereinafter "pond cost");

(d) private entrepreneurs shall make a down payment of 20% of such pond cost, with lease payments for the pond subject to the lease calculated to amortize the remaining 80% of the pond cost over 20 years at an interest rate of 16% per annum, payable twice per year, with a grace period of six months; and

(e) in the case of Individual Shrimp Beneficiaries, lease payments shall be calculated to amortize the entire pond cost over 20 years at an interest rate of 14% per annum, payable twice per year, with a grace period of six months.

5. Individual Shrimp Beneficiaries shall be required to deposit at least 50% of their income from the first crop in the Participating Bank, party to the Lease Agreement, to be used exclusively for inputs for the second crop.

6. The Lessees of each cluster of ponds shall commit to organize themselves into production groups for purposes, inter alia, of assisting each other in the adoption of technical know-how and extension services, and for other cooperative activities to advance the interest of the cluster.

7. Lessees of each cluster of ponds shall agree to pay to the relevant BFDA an annual service charge sufficient to cover the direct operating and maintenance cost for the common services of the clusters.

8. The Lease Agreement shall be for a term of 15 years with an automatic option for a 5 year renewal, provided the Lessee fulfills its financial and production group obligations. In addition, it shall have a first option for a subsequent lease, provided it continues to fulfill such obligations.

9. Where the Lessee is in arrears for at least two payments, the Lessor shall have the right to terminate the Lease Agreement, to sell any available production to satisfy the arrears and to enter into a new Lease Agreement with another Lessee.

II. Lease of Fish Reservoirs and Ox-bow Lakes Developed under Part B.1 of the Project

1. Such fish reservoirs and ox-bow lakes shall be leased to Cooperative Beneficiaries selected in accordance with procedures and criteria set forth in Section II of Schedule 3 to this Agreement for carrying out Category I Fish Working Capital Sub-projects and Category II Fish Working Capital Sub-projects utilizing the proceeds of Category I Fish Working Capital Sub-loans and Category II Fish Working Sub-loans, respectively.

2. Such leases shall be made pursuant to a written Lease Agreement hereinafter ("Lease Agreement") between a relevant Project State (Lessor) and a Cooperative Beneficiary (Lessee).

3. Such Lease Agreements shall be entered into with only those Cooperative Beneficiaries that do not have conflicting prior leases.

4. The amount of the lease payments shall be calculated to cover at least 50% of the incremental cost of the infrastructure development of the reservoirs and ox-bow lakes apportioned to the area subject to the lease over the life of the new Lease Agreement which shall be for 5 years with an automatic option for a five year renewal. Lease payments shall be made twice a year.

5. Where the Lessee is in arrears for at least two payments, the Lessor shall have the right to terminate the Lease Agreement, to

sell any available production to satisfy the arrears and to enter into a new Lease Agreement with another lessee.

6. The Lessee shall commit to properly maintain the leased areas and where the Lessor carries out such maintenance due to the neglect of the Lessee, the Lessor shall be entitled to recover the cost thereof from the Lessee.

