

CONFORMED COPY

CREDIT NUMBER 2439 IN

Project Agreement

(Bihar Plateau Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF BIHAR

Dated December 17, 1992

CREDIT NUMBER 2439 IN

PROJECT AGREEMENT

AGREEMENT, dated December 17, 1992, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF BIHAR, acting by its Governor (Bihar).

WHEREAS 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 eighty million seven hundred thousand Special Drawing Rights (SDR 80,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Bihar agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS Bihar, 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 in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) Bihar 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural 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 and Bihar shall otherwise agree, Bihar shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

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. Bihar 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 the Project Agreement.

Section 2.04. (a) Bihar 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) Bihar 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 Bihar of its obligations under this Agreement.

## ARTICLE III

### Financial Covenants

Section 3.01. (a) Bihar shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of Bihar responsible for carrying out the Project or any part thereof.

(b) Bihar shall:

- (i) have its 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, 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 Bihar 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 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 Bihar 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:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

For Bihar:

Chief Secretary  
Government of Bihar  
Patna, PIN 800015  
Bihar, India

Telex:

022-2332  
022-2336

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 Bihar may be taken or executed by its Chief Secretary or such other person or persons as Bihar shall designate in writing, and Bihar 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/ D. Joseph Wood  
Regional Vice President  
South Asia

STATE OF BIHAR

By /s/ Narayan Valluri  
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 C hereof, goods 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 1992 (the Guidelines).

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

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A 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: Other Procurement Procedures

1. Civil works for construction of dams, water conveyance systems, new minor irrigation schemes, drinking water supply facilities, rural roads and buildings, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works for rehabilitation of irrigation schemes, construction of dug-wells and water harvesting tanks, and repair and maintenance of roads and minor irrigation schemes estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$5,000,000 may be carried out by force account in a manner satisfactory to the Association.

3. Items or groups of items estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent

to \$100,000, and construction materials up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Materials and equipment, seeds, seedlings, fertilizer, and breeding stock, estimated to cost up to an aggregate amount equivalent to \$5,700,000, may be procured in accordance with Bihar's procurement procedures satisfactory to the Association.

Part D: 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 goods 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 4 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 in carrying out the Project, Bihar 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.

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SCHEDULE 2

Implementation Program

1. Bihar shall establish a Project Implementation Unit under the Regional Development Commissioner, Ranchi, with members, staff, responsibilities, which include delegated administrative and financial powers, satisfactory to the Association.

2. Bihar shall refrain from implementing minor irrigation programs that are subsidized in the blocks implementing similar schemes supported by the Credit in the Project Area.

3. Bihar shall, without limitation to the provisions of Section

2.01 (a) of this Agreement, make adequate and timely budgetary provisions to cover recurrent costs of its department and agencies incurred in implementing the Project.

4. Bihar shall cause its departments and agencies to consult with the beneficiaries of the Project in the design, preparation and implementation of the relevant parts of the Project.

5. Bihar shall introduce, and cause the Water User Groups to collect, charges sufficient to cover the cost of operation and maintenance of facilities constructed or rehabilitated under the Project, in consultation with the Association.

6. Bihar shall, by June 30, 1995 conduct a comprehensive mid-term review with the Association with regard to actions taken pursuant to the carrying out of the Project.

7. Bihar shall, upon completion of installation of hand pumps, transfer the ownership and responsibility for operation and maintenance of drinking water facilities provided under the Project to the respective village panchayats.

8. Bihar shall, in accordance with a plan and time-table satisfactory to the Association, transfer the ownership and responsibility for operation and maintenance of irrigation schemes provided under the Project to the respective panchayats and Water User Groups.

9. Bihar shall implement criteria satisfactory to the Association for the selection of roads to be constructed and rehabilitated under the Project.

10. In the event of any persons being involuntarily displaced as a result of the Project, Bihar shall make arrangements satisfactory to the Association, for the resettlement and rehabilitation of such persons.

11. Without limitation to the provisions of Section 9.08 of the General Conditions, Bihar shall implement a program satisfactory to the Association for the acquisition of land required for the Project.

