

CONFORMED COPY

CREDIT NUMBER 2592 IN

Project Agreement

(Haryana Water Resources Consolidation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF HARYANA

Date April 6, 1994

CREDIT NUMBER 2592 IN

PROJECT AGREEMENT

AGREEMENT, dated April 6 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF HARYANA (Haryana).

WHEREAS: (A) the Association has received a letter dated February 5, 1994 from Haryana, endorsed by the Borrower, describing sector reforms that constitute the framework for improving development of water resources in Haryana including policy, institutional and administrative reforms (hereinafter called the Policy Reform Program), and declaring Haryana's commitment to carry out such Policy Reform Program.

(B) 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 one hundred eighty seven million three hundred thousand Special Drawing Rights (SDR 187,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Haryana agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement, and in this Agreement;

WHEREAS Haryana, 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) Haryana 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 through HID with due diligence and efficiency and in conformity with appropriate administrative, financial, and water resource management 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 Haryana shall otherwise agree, Haryana 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. Haryana 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) Haryana 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) Haryana 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 Haryana of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Haryana 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 Haryana responsible for carrying out the Project or any part thereof.

(b) Haryana 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 Haryana 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 Haryana 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

For Haryana:

Chief Secretary
Government of Haryana
Chandigarh
Haryana, 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 Haryana may be taken or executed by its Chief Secretary or such other person or persons as Haryana shall designate in writing, and Haryana 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 HARYANA

By /s/ Kanwal Sibal
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 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 1992 (the Guidelines).

(a) For fixed price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, Haryana shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purpose of the Project. Where no relevant standard bidding documents have been issued by the Bank, Haryana shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

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. Except as provided in paragraph 2 hereof, civil works for canal, drainage and water course rehabilitation, modernization and maintenance under Parts A, B and C (except B.4) of the Project 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 estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount not exceeding \$49,200,000, may be carried out by force account in a manner satisfactory to the Association.

3. Vehicles estimated to cost up to an aggregate amount not exceeding the equivalent of \$700,000, 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. Equipment estimated to cost up to an aggregate amount not exceeding \$4,100,000, may be procured on the basis of competitive bidding, advertised locally, in accordance with 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 (i) the first five contracts of each civil works and goods, and (ii) each contract estimated to cost the equivalent of \$200,000 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

1. In order to assist in carrying out the Project, Haryana 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 (the Consultants' Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

3. For complex, time based assignments, Haryana shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed with the Association. Where no relevant standard contract documents have been issued by the Bank, Haryana shall use other standard forms agreed with the Association.

SCHEDULE 2

Implementation Program

1. Haryana shall, beginning April 1, 1994, and every April 1, thereafter, fully budget for the works portion of the following year operation and maintenance expenditures under Part C of the Project, in a manner satisfactory to the Association.

2. Haryana shall ensure that full cost recovery from the beneficiaries of operation and maintenance costs under Part C of the Project be charged as follows: 30% by April 1, 1996; 60% by April 1, 1997; 80% by April 1, 1998; and 100% by April 1, 1999.

3. Haryana shall, (i) under terms of reference agreed with the Association, carry out not later than January 31, 1995 a socio-economic baseline survey for various aspects of water resources use, management and delivery services; (ii) furnish the findings of such a survey to the Association for the Association's review and comments; and (iii) use such results to monitor the development impact of the Project.

4. Haryana shall, without limitation to the provisions of Section 2.01 of this Agreement, implement a system satisfactory to the Association for channelling the funds required for the Project, to the entities involved in carrying out the Project.

5. Haryana shall select augmentation and direct irrigation tubewells for rehabilitation under Part A.5 of the Project in

accordance with criteria agreed with the Association.

6. Haryana shall select the NGOs participating in the Project in accordance with criteria agreed with the Association.

7. Haryana shall by March 31 of each year, starting March 31, 1995, furnish to the Association, for the Association's review and comments, its approved Annual Action Plan, including work program and revenue and expenditure budget for the following year, and shall thereafter implement such Annual Action Plan.

8. Haryana shall, by June 30, 1997, undertake in collaboration with the Borrower and the Association, a mid-term review of the Project, and shall thereafter implement the recommendations of such review.

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

10. Haryana shall select water courses for rehabilitation under Part A.4 of the Project only after beneficiary farmers served by the water course have been organized in water user associations.

