

CONFORMED COPY

CREDIT NUMBER 3602 IN

Development Credit Agreement

(Uttar Pradesh Water Sector Restructuring Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 8, 2002

CREDIT NUMBER 3602 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 8, 2002, between INDIA, acting by its President (the

Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter dated August 30, 2001, from the State of Uttar Pradesh (Uttar Pradesh) describing a program of action, objectives and policies designed to restructure the water sector in Uttar Pradesh (the Program, as hereafter defined) and declaring its commitment to the execution of the Program;

(C) the Project will be carried out by Uttar Pradesh with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to Uttar Pradesh, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and Uttar Pradesh (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or

entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “Basin” means Ghagra-Gomti rivers basin;
- (b) “Eligible Categories” means categories 1, 2, 3 and 4 set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- (c) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;
- (d) “EMP” means the Environmental Management Plan dated May 31, 2001, of Uttar Pradesh and approved by the Association, setting forth, *inter alia*: (i) the measures to mitigate adverse environmental impacts of the Project; and (ii) the Pest Management Plan;
- (e) “GGB” means Ghagra-Gomti basin;
- (f) “GIS” means geographic information system;
- (g) “IBS” means Imamganj Branch Command and Associated Drainage Boundary in the Saryu System;
- (h) “JBS” means Jaunpur Branch Command and Associated Drainage Boundary in the Sharda Sahayak System;
- (i) “Pest Management Plan” means the Pest Management Plan dated May 31, 2001, of Uttar Pradesh and approved by the Association which forms part of EMP, setting forth, *inter alia*, the measures to promote and support safe, effective, and environmentally sound pest management under the Project;
- (j) “PIP” means the Project Implementation Plan adopted by Uttar Pradesh;
- (k) “Program” means Uttar Pradesh’s water sector restructuring program to be implemented by Uttar Pradesh through a series of overlapping and interlinked projects supporting policy and institutional reforms and capacity building, and infrastructure investments to support integrated water resources management and irrigation sector;
- (l) “Project Agreement” means the agreement between the Association and Uttar Pradesh of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (m) “Project Management Report” means each report prepared in accordance with Section 3.02 of the Project Agreement;
- (n) “Special Account” means the account referred to in Part B of Schedule 1 to this

Agreement;

- (o) "SWaRA" means Uttar Pradesh's State Water Resources Agency;
- (p) "SWaRDAC" means Uttar Pradesh's State Water Resources Data Analysis Center;
- (q) "SWB" means Uttar Pradesh's State Water Board;
- (r) "SWaTReC" means Uttar Pradesh's State Water Tariff Regulatory Commission;
- (s) "UPID" means the Irrigation Department of the Government of Uttar Pradesh referred to in of Schedule 2 to this Agreement;
- (t) "UPDASP" means Uttar Pradesh Diversified Agriculture Support Project financed by the International Bank for Reconstruction and Development and the Association under its Loan Number 4365-IN and Credit Number 3106-IN;
- (u) "UPSLRP" means Uttar Pradesh Sodic Lands Reclamation Project financed by the Association under its Credit Number 2510-IN;
- (v) "VRS" means the voluntary retirement scheme referred to in Part B.1 of Schedule 2 to this Agreement;
- (w) "WALMI" means Water and Land Management Institute of Uttar Pradesh; and
- (x) "WUAs" means the water user associations.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred seventeen million Special Drawing Rights (SDR 117,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be October 31, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2

of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2012 and ending December 15, 2036. Each installment to and including the installment payable on December 15, 2021 shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts

of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Uttar Pradesh to perform in accordance with the provisions of the Project Agreement all the obligations of Uttar Pradesh therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Uttar Pradesh to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Uttar Pradesh in accordance with the Borrower's standard arrangements for development assistance to the States of India.

Section 3.02. 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 the Project Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, 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 Borrower and the Association, a plan designed to ensure the continued achievements of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Association hereby agree that 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) shall be carried out by Uttar Pradesh pursuant to Section 2.03 of

the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account 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 six 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, including a separate opinion by said auditors as to whether the Project Management reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02(l) of the General Conditions, the following additional events are specified:

- (a) Uttar Pradesh shall have failed to perform any of its obligations under the

Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Uttar Pradesh will be able to perform its obligations under the Project Agreement.

(c) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by Uttar Pradesh, and is legally binding upon Uttar Pradesh in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary Director, Deputy Secretary, and Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower are each designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, PIN 110001
India

Cable address:

Telex:

Facsimile:

ECOFAIRS
New Delhi

953-3166175

91 11-301-3133

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)
64145 (MCI)

(202) 477-6391

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.

INDIA

By /s/ Adarsh Kishore

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	53,900,000	90%
(2) Goods, equipment, machinery and materials	13,600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services and Training	27,600,000	100%
(4) Incremental operating costs and incremental salaries	14,100,000	85% until March 31, 2004; 75% until March 31, 2005; 60% until March 31, 2006; and 30% thereafter
(5) Unallocated	7,800,000	
TOTAL	117,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "incremental operating costs and incremental salaries" means costs of operations and maintenance of equipment, vehicles and irrigation and drainage infrastructure, office rental and expenses, hiring of vehicles, salaries and allowances of additional staff required for carrying out the Project; and

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the

basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$200,000 equivalent each; (ii) goods, equipment, machinery and materials under contracts costing less than \$200,000 equivalent each; (iii) services under contracts costing less than \$100,000 equivalent each for employment of consulting firms and \$50,000 each for employment of individual consultants, respectively; (iv) training; and (v) incremental operating costs and incremental salaries, all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in the Reserve Bank of India, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 3.02(a) of the Project Agreement; (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 3.02 of the Project Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex the term "Authorized Allocation" means an amount equivalent to \$10 million to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$5 million until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 25 million.

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such

request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management

Report to be remaining in the Special Account, shall not exceed the equivalent of \$20 million.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist Uttar Pradesh: (i) to set up an enabling institutional and policy framework for water sector reform for integrated water resources management; and (ii) to initiate irrigation and drainage sub-sector reforms to increase and sustain water and agricultural productivity.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Creation of Apex Water Sector Institutions and Strengthening Socially and Environmentally Sustainable Multi-Sectoral Water Resources Planning, Allocation and Management Capacity

Establishment and operationalization of state apex water institutions. Enhancing the capacity of the institutions to manage water resources through provision of computer hardware, software, connectivity, consultants' services, office buildings and equipment, incremental staff and operating costs and extensive training. The institutions will include: a State Water Resources Agency, a State Water Resources Data and Analysis Center, a State Water Tariff Regulatory Commission, and a Ghagra-Gomti Basin Development and Management Entity.

Part B: Irrigation Department Reform and Capacity Building

Carrying out a comprehensive institutional reform program for the modernization and capacity building of UPID, including:

1. Institutional Reform

Carrying out a program to reduce UPID's establishment costs through the Reform Program including: (a) phased voluntary retirement scheme (VRS) and other suitable modes of staff retrenchment; (b) undertaking awareness campaigns and worker education along with training facilities to engage in gainful occupations for UPID employees opting for VRS; and (c) setting up of a Reforms Task Force (RTF) to monitor implementation of the institutional reform program and oversee the further institutional studies required to continue the institutional reform program.

2. Uttar Pradesh Irrigation Department Capacity Building

Carrying out intensive modernization of the technical, administrative and managerial capacity of UPID, through the provision of technical advisory services, training and study tours.

3. Business Process Re-Engineering (BPR)

Establishment of an extensive management information system and supporting administrative and water resources databases and associated analytical and communication

facilities to modernize and streamline UPID business processes and provide the tools necessary for modern technical, financial, operational and managerial capacity, strengthening inter-agency coordination and public-private partnerships and piloting participatory irrigation management approaches.

Part C: Piloting Reform Options for Water Resources Management

1. Sub-basins Development and Management Boards

Creation and strengthening of Jaunpur Branch Sub-basin Development and Management Board (JBSDMB) and the Imamganj Branch Sub-basin Development and Management Board (IBSDMB), through the provision of office buildings at Sultanpur and Bahraich with mass conference facilities, technical advisory services and operating costs.

2. Decision Support Systems

Development of decision support systems through establishment of information systems and modeling for socially and environmentally sustainable water resources management in the JBS and IBS.

3. Rainwater Harvesting and Sustainable Management of Water Bodies

Improvement of community-managed village ponds and other water bodies in the JBS and IBS through the carrying out of small works and the provision of technical advisory services.

4. Canal Based Small Hydro Schemes

(a) Piloting a canal-based small hydro development scheme in the IBS located at 6.5 Km on the Imamganj Branch Canal; and

(b) establishment of appropriate institutional mechanisms for participatory management of the scheme.

Part D: Piloting Reform Options for Irrigation and Drainage Operations

1. Carrying out of reform options, on a pilot basis, in irrigation and drainage operations in the JBS and the Bahraich Distributary Command and its associated drainage boundary in the IBS to rehabilitate and modernize irrigation and drainage infrastructure in these areas and apply modern management practices to improve both productivity of water and agriculture:

(a) rehabilitation and modernization of the irrigation and drainage systems based on community priorities in about 300,000 ha covering the physical irrigation delivery systems and drainage infrastructure in the Jaunpur Branch Command of the JBS and the Bahraich Distributary Command of the IBS (including electronic and other measuring devices);

(b) the development of an appropriate knowledge-base (including detailed topographic and asset surveys and GIS development) and baseline surveys;

(c) the carrying out of awareness building and training activities and detailed

community consultation, environmental and social assessments and detailed designs; and

(d) the carrying out of civil works based on the results of the consultations and surveys referred to in (b) and (c) above.

2. Carrying out of agricultural intensification and diversification support for extension, study tours and other training, and on-farm trials for agriculture and horticulture and promotion of environmentally-sustainable techniques (including integrated pest management and organic farming), improvements in livestock management and knowledge dissemination through village kiosks in the JBS and IBS.

3. Piloting replicable management options for irrigation and drainage systems operations and agricultural diversification in the JBS and IBS, including: (i) progressive transfer of management responsibilities to WUAs at the minor-level; (ii) testing management paradigms at the distributary-level by leasing to a private sector operator or to a financially-decentralized UPID entity; and (iii) inducing specialized crop zone management by private sector.

Part E: Feasibility Studies and Preparation for the next phase in the Program

Carrying out feasibility studies and preparation activities for the next phase in the Program.

Part F: Project Activities Coordination

Provision of assistance to a multi-disciplinary Project Activities Core Team (PACT), which will coordinate, facilitate and guide the implementation and monitoring of all project activities, ensuring synergy and coordination amongst activities and agencies implementing these activities, preparing consolidated reports and facilitating training.

* * *

The Project is expected to be completed by April 30, 2007.

