

CONFORMED COPY

LOAN NUMBER 4192 IN

Project Agreement

(Andhra Pradesh State Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF ANDHRA PRADESH

Dated July 30, 1997

LOAN NUMBER 4192 IN

PROJECT AGREEMENT

AGREEMENT, dated July 30, 1997, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE OF ANDHRA PRADESH (Andhra Pradesh).

WHEREAS (A) by the Loan Agreement of even date herewith between India, acting by its President (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to three hundred fifty million dollars (\$350,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Andhra Pradesh agrees to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) Andhra Pradesh in consideration of the Bank's entering into the Loan 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 Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Andhra Pradesh declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project, and cause RBD to carry out the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering 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 Bank and Andhra Pradesh shall otherwise agree, Andhra Pradesh shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Andhra Pradesh shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, Andhra Pradesh shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) _____ after the Closing Date or such later date as may be _____ agreed for this purpose between the Bank and Andhra Pradesh, a plan for the future operation of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with Andhra Pradesh on said plan.

Section 2.04. (a) Andhra Pradesh shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) Andhra Pradesh shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by Andhra Pradesh of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Andhra Pradesh shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition in respect of activities related to the Project, of the departments or agencies of Andhra Pradesh responsible for carrying out the Project or any part thereof.

(b) Andhra Pradesh shall:

(i) have the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank 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 Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Andhra Pradesh thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Andhra Pradesh thereof.

Section 4.03. All 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 Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Andhra Pradesh:

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

Cable address:

CHIEFSEC
Hyderabad
Andhra Pradesh

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 Andhra Pradesh may be taken or executed by its Chief Secretary, or such other person or persons as Andhra Pradesh shall designate in writing, and Andhra Pradesh shall furnish to the Bank 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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Mieko Nishimizu

Regional Vice President
South Asia

STATE OF ANDHRA PRADESH

By /s/ Sudhakar Rao

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, works and goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for contracts under Part A of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Dispute Review Board

Each contract for works estimated to cost \$10,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

The following may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines: (a) works up to \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000,000 equivalent; and (b) goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$3,600,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to: (a) each contract for civil works estimated to cost equal to or more than the equivalent of \$5,000,000; (b) the first three contracts for civil works that cost less than the equivalent of \$5,000,000; and (c) each contract for goods estimated to cost more than the equivalent of \$100,000.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedure set forth in paragraph 4 to Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the

Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for resettlement monitoring and implementation under Part A of the Project, estimated to cost less than \$200,000 per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for institutional capacity improvement under Part C of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Services provided by consulting firms that are estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines provided that the service contracts, in the aggregate, cost less than \$300,000 equivalent.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

(a) With respect to each contract for the employment of consulting firms for the Project estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms for the Project estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

2. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Implementation Program

1. Andhra Pradesh shall:

(a) maintain the Implementation and Tender Committee, which has been constituted by Andhra Pradesh, consisting of the Principal Secretary, Transport, Roads and Buildings; Principal Secretary, Works and Projects; Secretary, Finance; and Engineer-in-Chief, Roads and Buildings, to carry out functions, including: (i) approving contracts based on the recommendations of the PIU; (ii) ensuring inter-departmental coordination within the government of Andhra Pradesh; and (iii) facilitating high-level government decisions, when necessary;

(b) cause RBD to produce a quarterly report, for review by the Implementation and Tender Committee and the Bank, on: (i) the implementation progress of the Project, including the progress of the EMP (as hereinafter defined) and RAP (as hereinafter defined); and (ii) proposed action plans for the Project;

(c) cause RBD: (i) by September 30, 1997, to identify the core network ("Core Network") of about 10,000 km of roads, including state highways and approximately 2,000 km of important major district roads ("IMDRs"), on the basis of high traffic volumes and functional importance in the state's road network; and (ii) by January 31 of each year, to carry out a pavement management system ("PMS") analysis of the Core Network's optimal maintenance spending requirements for the following Fiscal Year and share the analysis results with the Bank;

(d) (i) establish a separate budget head for the maintenance of the IMDRs; and (ii) by March 31 of each year, ensure that there is funding for at least 80 percent of the optimal maintenance spending requirements established by the annual PMS analysis for the Core Network; and

(e) submit a report to the Bank, by March 31 of each year, on: (i) the proportions of the Core Network classified by RBD as being in good, fair and poor conditions; (ii) the proposed road maintenance spending for the following Fiscal Year; and (iii) progress in the strengthening of road maintenance management.

2. Andhra Pradesh shall:

(a) without limitation to Section 9.09 of the General Conditions, take such action as may be necessary to acquire the land as and when needed for carrying out the Project;

(b) carry out all measures necessary to mitigate the possible negative environmental impact of road construction and improvement under the Project in accordance with the Environmental Management Plan dated April 25, 1997 ("EMP") and approved by the Bank, which EMP may be amended from time by agreement between Andhra Pradesh and the Bank; and

(c) take all steps necessary to carry out the Resettlement Action Plan dated April 25, 1997 ("RAP") and approved by the Bank for the resettlement of people affected by the Project, which RAP may be amended from time by agreement between Andhra Pradesh and the Bank.

3. Andhra Pradesh shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 31, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by August 31, 1999, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

4. Andhra Pradesh shall not use the proceeds of the Loan to widen, strengthen, improve or maintain the road section from Guntur to Thokapalle unless Andhra Pradesh proposes a road link, which is satisfactory to the Bank, bypassing the Nagarjuna Sagar-Srisialam Sanctuary.

5. With respect to the road section from Guntur to Thokapalle and from Thokapalle to Nandyal and any road section not presently selected for the Project, Andhra Pradesh shall submit to the Bank an Environmental Management Plan and a Resettlement Action Plan, satisfactory to the Bank, covering the relevant road section before inviting bids relating to works on such road section.

