

CONFORMED COPY

LOAN NUMBER 4577 IN

Project Agreement

(Gujarat State Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF GUJARAT

Dated October 18, 2000

LOAN NUMBER 4577 IN

PROJECT AGREEMENT

AGREEMENT, dated October 18, 2000, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the STATE OF GUJARAT, acting by its Governor (Gujarat).

WHEREAS by the Loan Agreement of even date herewith between India (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to three hundred eighty-one million dollars (\$381,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Gujarat agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Gujarat, 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) Gujarat 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, through R&BD, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, transport and environmental 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 Gujarat shall otherwise agree, Gujarat shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement and the Project Implementation Plan.

Section 2.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Gujarat 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 9.07 of the General Conditions and without limitation thereto, Gujarat shall:

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

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

Section 2.04. (a) Gujarat 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) Gujarat 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 the Loan, or the performance by Gujarat of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Gujarat shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) Gujarat 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 Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such Fiscal Year, 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 and accounts as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Gujarat shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 3.01 in order to enable Gujarat, not later than December 31, 2001 or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

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 Gujarat thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Gujarat thereof.

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 facsimile 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, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Gujarat:

Chief Secretary
Government of Gujarat
Gandhinagar
Gujarat, 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 Gujarat may be taken or executed by its Chief Secretary or such other person or persons as Gujarat shall designate in writing, and Gujarat 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/ Edwin R. Lim

Country Director, India

STATE OF GUJARAT

By /s/ H. P. Jamdar

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods 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 and September 1997, and January 1999 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for contracts for works under Part A.1 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 under Part B of the Project estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$68,000,000 equivalent; and (b) goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 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. Force Account

Works related to (a) road overbridges, road underbridges and shifting of utilities under Part A.1 of the Project, (b) infrastructure facilities for carrying out resettlement and rehabilitation of project affected people under Part A.2 of the Project and (c) other minor items as agreed by Gujarat and the Bank, estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, which meet the requirements of paragraph 3.8 of the Guidelines, may, with the Bank's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

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 works under Part A.1 of the Project estimated to cost the equivalent of \$5,000,000 or more; (b) the first three contracts for works under Part B of the Project regardless of the amount; and (c) each contract for goods estimated to cost the equivalent of \$50,000 or more.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedure set forth in paragraph 4 of 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 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget or Single Source Selection

The following services may be procured (a) under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines or (b) with the Bank's prior agreement, in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines: (i) design works and assistance with project coordination and development of strengthened project management procedures under Part A.1 of the Project; (ii) technical assistance for institutional capacity improvement under Part C of the Project; and (iii) pre-investment studies for preparation of potential future projects.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 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 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.

3. Post Review

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

SCHEDULE 2

Implementation Program

1. Gujarat shall:

(a) maintain the PIU with composition, powers, functions, capacity and resources satisfactory to the Bank;

(b) produce quarterly reports, for review by the Bank, on: (i) the implementation progress of the Project, including the progress of the Environmental Management Action Plan contained in the ESR, additional environmental management action plans referred to in paragraph 2(d) of this Schedule, the RAP and updates to the RAP referred to in paragraph 2(h) of this Schedule; and (ii) proposed action plans for the Project;

(c) implement the action plans developed under the IDS and set

forth in the Project Implementation Plan in a manner and with a time schedule satisfactory to the Bank;

(d) develop and install a computerized Project Financial Management System satisfactory to the Bank by December 31, 2000;

(e) ensure that all contracts for civil works under Parts A and B of the Project will include environmental mitigation measures satisfactory to the Bank;

(f) ensure that, during the period of Project implementation, the annual expenditure for the maintenance of state roads (comprising state highways, major district roads, other district roads and village roads) will be increased for each Fiscal Year, beginning with Fiscal Year 2000-2001, by at least 10% in real terms, based on the Borrower's Wholesale Price Index, from the immediately preceding Fiscal Year; and

(g) submit to the Bank, in each year during the period of Project implementation, Gujarat's approved annual capital and maintenance allocations for the road sector within thirty (30) days of its approval.

2. Gujarat shall:

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

(b) comply with all the conditions imposed by the relevant governmental authorities under the environmental and forestry clearances issued by such authorities in connection with the Project;

(c) implement the environmental mitigation, monitoring, institutional strengthening and other measures set out in the SEA and the ESR (including the Environmental Management Action Plan) in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein and shall not take any action which would prevent or interfere with such implementation;

(d) submit to the Bank environmental study reports, satisfactory to the Bank, including environmental management action plans for mitigating the adverse environmental impacts of road construction and improvement, for those sections of state highways covered by Part A.1 of the Project for which detailed environmental studies were not completed as of April 1998, before bids relating to works for such sections of state highways are invited;

(e) obtain from the relevant governmental authorities all necessary environmental and forestry clearances for the sections of state highways referred to in subparagraph (d) of this paragraph and submit copies of such clearances to the Bank, before contracts for the works referred to in such subparagraph (d) are awarded;

(f) implement each of the environmental management action plans referred to in subparagraph (d) of this paragraph in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein and shall not take any action which would prevent or interfere with such implementation;

(g) implement the RAP in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein and shall not take any action which would prevent or interfere with such implementation;

(h) submit to the Bank updates to the RAP, satisfactory to the Bank, based on detailed socio-economic surveys of project affected people and consistent with the principles set out in the RAP, for those sections of state highways covered by Part A.1 of the Project for which such

surveys were not completed as of April 1998, before bids relating to works for such sections of state highways are invited; and

(i) implement the RAP with the updates referred to in subparagraph (h) of this paragraph in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein and shall not take any action which would prevent or interfere with such implementation.

3. Gujarat 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 May 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, 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 June 30, 2002, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, 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.

