

Public Disclosure Authorized

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CREDIT NUMBER 3243 IN

Agreement Amending Development Credit Agreement

(Integrated Watershed Development (Hills II) Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 11, 2001

Public Disclosure Authorized



**CREDIT NUMBER 3243 IN
(Amendment)**

**AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT dated December 11, 2001, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) by the Development Credit Agreement dated July 14, 1999, as amended to date, (the Development Credit Agreement) between the Borrower and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirty-six million, nine hundred thousand Special Drawing Rights (SDR 36,900,000) (the Credit) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement dated July 14, 1999, as amended to date, between the Borrower and the Bank, (the Loan Agreement), the Bank is agreeing to provide such assistance in an amount equal to eighty five million United States dollars (US\$85,000,000) (the Loan);

(C) by the Project Agreement (the Project Agreement) dated July 14, 1999, as amended to date, the States of Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab and Uttar Pradesh (the Project States) agreed to undertake certain obligations with respect to the carrying out of the Project;

(D) the Borrower has advised the Association through Gazette Notice No. 37 dated August 25, 2000, of the enactment of the Uttar Pradesh Reorganization Act, creating the new State of Uttaranchal (Uttaranchal), formerly a part of Uttar Pradesh;

(E) the Borrower has advised the Association that the Project activities previously to be implemented in Uttar Pradesh will now be carried out in Uttaranchal, and that Uttaranchal has endorsed and is committed to carrying out the policy reform program (Policy Reform Program) described in a letter from Uttar Pradesh to the Association dated April 15, 1999; and

(F) the Borrower has requested the Association to replace Uttar Pradesh with Uttaranchal as one of the States participating in the Project, and to allocate to Uttaranchal the undisbursed balance of the Credit previously allocated to Uttar Pradesh.

NOW THEREFORE, the parties hereto hereby agree to amend the Development Credit Agreement as follows:

PREAMBLE

- (i) Paragraph E of the Preamble is amended to read as follows:

“the Project (except Part B.5 (b)) will be carried out by the Project States and Uttaranchal with the Borrower’s assistance and overall coordination and, as part of such assistance, the Borrower will make available to the Project States and Uttaranchal, part of the proceeds of the Credit as provided in this Agreement; and part of the proceeds of the Loan as provided in the Loan Agreement; and”

- (ii) The final paragraph of the Preamble is amended to read as follows:

“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, in the Project Agreement of even date herewith among the Association, the Bank and the Project States and the Uttaranchal Project Agreement among the Association, the Bank and Uttaranchal.”

ARTICLE I

General Conditions; Definitions

- (i) The following paragraphs of Section 1.02 are amended to read as follows:

“(f) “MOU” means the memorandum of understanding to be entered into between each of the Project States and Uttaranchal, and the VDC (as hereinafter defined) for carrying out the Project;

(g) “PMU” means the Project Management Unit established within each Project State and Uttaranchal for assisting in carrying out the Project;

(i) “Project area” means the sub-tropical Shivalik and temperate Karewas range of the Himalayan foothills in the Project States and Uttaranchal;

(l) “Project States” means the States of Haryana, Himachal Pradesh, Jammu and Kashmir and Punjab; and

(m) “VDC” means the village development committees established or to be established in each Project State and in Uttaranchal, under the Societies Registration Act, 1860, or the Panchayati Raj Act or the Cooperative Societies Act of the respective Project State and Uttaranchal;”

(ii) The term 'and' is deleted from Section 1.02 (m), and the '.' at the end of Section 1.02 (n) replaced with a ';'.

(iii) The following definitions are added at the end of Section 1.02:

“(o) “Agreement Amending the Development Credit Agreement” means the Agreement Amending the Development Credit Agreement dated December 11, 2001, between the Borrower and the Association for purposes of including Uttaranchal as a new State participating in the Project;

(p) “Agreement Amending the Loan Agreement” means the Agreement Amending the Loan Agreement dated December 11, 2001, between the Borrower and the Bank;

(q) “Agreement Amending the Project Agreement” means the Agreement Amending the Project Agreement dated December 11, 2001, among the Association, the Bank and Uttar Pradesh;”

(r) “Uttaranchal” means the State of Uttaranchal, a State of the Borrower, and any successor thereto; and

(s) “Uttaranchal Project Agreement” means the Agreement among the Association, the Bank and Uttaranchal dated December 11, 2001, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Uttaranchal Project Agreement.”

ARTICLE III

Execution of the Project

(i) Section 3.01(a) (ii) is amended to read as follows:

“without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause the Project States and Uttaranchal to perform in accordance with the provisions of the Project Agreement and the Uttaranchal Project Agreement, and under the overall coordination of MOA, all the respective obligations of the Project States and Uttaranchal set forth therein, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project States and Uttaranchal to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.”

- (ii) Section 3.01(b) is amended to read as follows:

“The Borrower shall make part of the proceeds of the Credit available to the Project States and Uttaranchal in accordance with the Borrower’s standard arrangements for developmental assistance to the States of India.”

- (iii) Section 3.02 is amended to read as follows:

“Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the respective provisions of Schedule 1 to the Project Agreement and Schedule I of the Uttaranchal Project Agreement.”

- (iv) Section 3.03 is amended to read as follows:

“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) in respect of the Project (except Part B.5 (b)) shall be carried out by the Project States and Uttaranchal, respectively, pursuant to Section 2.03 of the Project Agreement and Section 2.03 of the Uttaranchal Project Agreement.”

ARTICLE V

Remedies of the Association

The following additional provisions are added to Article V:

“(d) Uttaranchal shall have failed to perform any of its obligations under the Uttaranchal Project Agreement;

(e) Uttaranchal shall have failed to carry out the Policy Reform Program, or a significant part thereof;

(f) 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 Uttaranchal will be able to: (i) perform its obligations under the Uttaranchal Project Agreement; or (ii) carry out its Policy Reform Program or a significant part thereof.”

ARTICLE VI

Effective Date; Termination

The following provision is added to Article VI:

“Section 6.04. The Agreement Amending the Development Credit Agreement shall not become effective until a legal opinion satisfactory to the Association, showing that the Uttaranchal Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of Uttaranchal, and is legally binding upon Uttaranchal in accordance with its terms, is received by the Association.”

SCHEDULE 1

Schedule 1 is amended to read as follows:

(i) All references to Uttar Pradesh in the table in Part A.1 are hereby replaced with Uttaranchal.

(ii) Part B.2 (a) is amended to read as follows:

“until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement, Section 3.02 (a) of the Project Agreement, and Section 3.02 (a) of the Uttaranchal Project Agreement; and (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”

(iii) Part B.4 (a) is amended to read as follows:

“if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.02 of the Project Agreement and Section 3.02 of the Uttaranchal Project Agreement, respectively;”

SCHEDULE 2

Schedule 2 is amended as follows:

The words 'and Uttaranchal' are added after all references to the 'Project States'.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending the Development Credit 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