

CONFORMED COPY

CREDIT NUMBER 3618-IN

Project Agreement

(Mizoram State Roads Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF MIZORAM

Dated May 6, 2002

CREDIT NUMBER 3618-IN

PROJECT AGREEMENT

AGREEMENT, dated May 6, 2002, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATE OF MIZORAM, acting by its Governor (Mizoram).

WHEREAS 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 forty-seven million, five hundred thousand Special Drawing Rights (SDR 47,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that Mizoram agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Mizoram, 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, the Preamble to this 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) Mizoram 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 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 Association and Mizoram shall otherwise agree, Mizoram shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, the EMP, the ESMP, and the RIPDP.

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. (a) Mizoram 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.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Mizoram shall:

- (i) 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 Association and Mizoram, a plan for the future operation of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with Mizoram on said plan.

Section 2.04. (a) Mizoram 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) Mizoram 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 Mizoram of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Mizoram shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project of the departments or agencies of Mizoram responsible for carrying out the Project or any part thereof.

- (b) Mizoram shall:
 - (i) have the records, accounts and financial 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 Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each Fiscal Year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Fiscal Year as so audited, and (B) an opinion on such financial statements, records and accounts and 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, as the Association may reasonably request from time to time, concerning such records, accounts and financial statements, and the audit thereof, and the auditors who performed the audit.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Mizoram shall take necessary measures to enable Mizoram, not later than June 30,

2003, or such later date as the Association shall agree, to prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period in respect of the Project that:

- (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 Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit 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 Credit, as at the end of the period covered by said report.

(b) Upon taking such necessary measures referred to in paragraph (a) of this Section, Mizoram shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association 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 Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Mizoram 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 35 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 Mizoram 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 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 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) or 64145 (MCI)	(202) 477-6391

For Mizoram:

Secretary, Public Works Department
Government of Mizoram
Tuikhuah Tlang, Aizawl 796001
Mizoram
India

Facsimile:

91-389-323349
91-389-324001

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 Mizoram may be taken or executed by its Secretary, Public Works Department, Government of Mizoram, or such other person or persons as Mizoram shall designate in writing, and Mizoram 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 New Delhi,

India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin Lim

Country Director, India

STATE OF MIZORAM

By /s/ H. V. Lalringa

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

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 of this Section I.

(a) Prequalification

Bidders for works under Part A.1 and B.1 of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference For Domestically Manufactured Goods And Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto

shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(c) 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.

(d) 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 paragraph 3.3 and 3.4 of the Guidelines: (a) works under Part B.1 of the project estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$15,600,000 equivalent; and (b) goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000.

2. International and National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Three Quotations/Direct Contracting/Community Participation/Force Account

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,800,000 equivalent, related to: (a) road safety and improvement under Part A.1 and Part B.1 of the Project; (b) infrastructure facilities for carrying out rehabilitation of Project affected people under Part A.2 of the Project; and (c) the implementation of environmental mitigation measures under Parts A.2 and B.2 of the Project:

- (i) may be procured under lump-sum fixed price contracts awarded on the basis of quotations obtained from at least 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 Association, 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;

- (ii) may, with the Association's prior agreement, be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$100,000 equivalent when added to the works procured under sub-paragraphs (ii) and (iii) of this paragraph;
- (iii) may be procured through community participation and NGOs, up to an aggregate amount not to exceed \$200,000 equivalent, in accordance with the procedures acceptable to the Association; or
- (iv) may, if they meet the requirements of paragraph 3.8 of the Guidelines and with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines, up to an aggregate amount not to exceed \$200,000 equivalent.

Part D: Review by the Association 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 Association 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 Association, 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) all ICB contracts for works; (b) each NCB contract for goods estimated to cost the equivalent of \$100,000 or more; (c) each NCB contract for works estimated to cost the equivalent of \$500,000 or more; (d) each ICB contract for goods estimated to cost the equivalent of \$200,000 or more; and (e) the first contract for goods procured in accordance with the provisions of Section C.1 of this Schedule.

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 Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

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, up to an aggregate amount not to exceed \$740,000 equivalent, (a) under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines or (b) with the Association's prior agreement, in accordance with the provisions of paragraph 3.8 through 3.11 of the Consultant Guidelines: (i) design works assistance with Project coordination and development of strengthened Project management procedures under Part A.1 of the Project; and (ii) technical assistance for institutional capacity improvement under Part C of the Project.

2. Individual Consultants

Services, up to an aggregate amount not to exceed \$100,000 equivalent, 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 Association 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 Association 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 Association, 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 Association 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. Mizoram shall:

(a) within forty-five (45) days after the end of each quarter, provide to the Association a quarterly report setting forth: (a) the progress in Project implementation and the achievement of the indicators referred to in paragraph 5(a) below; and (b) a proposed action plan to achieve the objectives of each Part of the Project during the following quarter;

(b) maintain throughout the Project implementation period, a computerized Financial Management System for the Project satisfactory to the Association;

(c) maintain, throughout the period of Project implementation until completion of the Project, (i) an accounts officer for the Project, who shall be a finance or management professional, and (ii) an accountant for the Project, each such person with experience and qualifications agreed with the Association;

(d) endeavor to increase funding for maintenance of the core road network so as to ensure that such funding shall equal at least: (i) 65% of agreed road maintenance norms by April 1, 2004, and (ii) 80% of such norms by June 30, 2007;

(e) transmit to the Association Mizoram's annual capital and maintenance allocations for the road sector within thirty (30) days of approval thereof by the Mizoram legislature; and

(f) adopt the RDP and furnish a copy thereof to the Association by December 31, 2002.

2. Mizoram shall:

(a) without limitation to Section 9.08 of the General Conditions, take such action as may be necessary to acquire land as and when needed for carrying out the Project;

(b) implement the resettlement and rehabilitation and related measures set forth in RIPDP in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein and refrain from taking any action which shall prevent or interfere with such implementation;

(c) in relation to those sections of state roads included in Parts A.1 and B.1 of the Project, which have not been covered by the RIPDP: (i) refrain from inviting bids for road construction and improvement relating to such sections of state roads, or (ii) if no bidding process is involved, refrain from selecting a contractor for works on such sections of state roads in accordance with the provisions of Schedule 1 to this Agreement, unless Mizoram has submitted to the Association updates or amendments to the RIPDP, which shall be satisfactory to the Association, setting forth, details regarding resettlement of persons affected by the Project in such sections of state roads;

(d) in relation to those sections of state roads included in Parts A.1 and B.1 of the Project, which have not been covered by the EMP and the ESMP: (i) refrain from inviting bids for road construction and improvement relating to such sections of state roads, or (ii) if no bidding process is involved, refrain from selecting a contractor for works on such sections of state roads in accordance with the provisions of Schedule 1 to this Agreement, unless Mizoram has submitted to the Association updates or amendments to the EMP and ESMP for such sections of state roads, all of which shall be satisfactory to the Association;

(e) implement the environmental mitigation, monitoring, institutional strengthening and other measures set out in the EMP and ESMP 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;

(f) continue to conduct annual monitoring of environmental impacts of the implementation of the Project for two (2) years following the Closing Date; and

(g) employ, by not later than December 31, 2006, qualified consultants to prepare an independent impact evaluation report with respect to the implementation of the RIPDP and the outcomes thereof, all in accordance with time schedules agreed with the Association.

3. Mizoram shall not use any part of the proceeds of the Credit to undertake civil works on any roads not included in the Project Implementation Plan, unless and until Mizoram has submitted to the Association documentation satisfactory to the Association for undertaking civil works for such roads, including a feasibility study report, an environmental management plan, an environmental and social management plan and a resettlement and indigenous peoples development plan.

4. Mizoram shall:

(a) conduct and furnish to the Association, not later than April 1, 2003, and biennially thereafter, surveys of Mizoram's core road network, in accordance with a methodology agreed with the Association, and shall share the surveys' results with the Association;

(b) conduct, not later than April 1, 2003, a technical and financial assessment to determine the feasibility of establishing, by June 30, 2007, a road fund whose objectives shall be to generate and earmark funds for the maintenance of the road sector;

(c) in order to assist PWD in discharging its responsibilities under the Project, maintain a fully staffed environment, social and management unit, within the PWD, with suitably qualified staff;

(d) by April 1 of each year, until completion of the Project, submit to the Association information showing the number of staff working for the PWD; and

(e) carry out the ISAP in accordance with guidelines and a methodology agreed with the Association by June 30, 2007.

5. Mizoram 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 Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November 30, 2003, 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 Association, by December 31, 2003, or such later date as the Association 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 Association's views on the matter.

