

December 18, 2000

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

Re: Credit No.2801-IN
Orissa Water Resources Consolidation Project
Amendments to the Development Credit Agreement

Dear Sir:

We refer to the Development Credit Agreement (Orissa Water Resources Consolidation Project) between India (the Borrower) and the International Development Association (the Association) dated January 5, 1996.

We also refer to your letter dated December 21, 1999, and the Government of Orissa letter dated December 10, 1999, both requesting the Association to amend the Development Credit Agreement to support reconstruction of the areas affected by the recent cyclones in Orissa.

We are pleased to inform you that the Association, after due consideration, has agreed to your request. Accordingly, the Development Credit Agreement is amended as follows:

1. In Section 1.02, new paragraphs (j), (k), (l) and (m) are added and read as follows:

"(j) "Affected Area" means the districts of Ganjam, Gajapati, Balasore, Bhadrak, Cuttack, Dhenkanal, Jagatsingpur, Jajpur, Kendrapara, Keonjhar, Khurda, Mayurbhanj, Nayagarh and Puri of Orissa affected by the cyclone;

(k) "Authority" means Orissa State Disaster Mitigation Authority, a society established and registered on December 29, 1999, under the Societies Registration Act, 1860, and operating according to its Memorandum of Association and Bye-laws dated December 18, 1999;

(l) "Operational Manual" means the operational manual prepared by the Authority for carrying out part H of the Project, dated September 19, 2000, outlining procedures, criteria, appraisal and implementation arrangements for Part H of the Project, as amended from time to time by agreement between the Association and Orissa; and

(m) "Special Account B" means the account referred to in Section 2.02 (c) of this Agreement."

2. The first sentence of Section 2.02 (b) is deleted and replaced with the following:

"(b) The Borrower may, for the purposes of Part A through G of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association."

3. A new Section 2.02 (c) is added and reads as follows:

"(c) The Borrower may, for the purposes of Part H of the Project, open and maintain in dollars a special deposit account, to be known as Special account B, in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of this Special Account shall be made in accordance with the provisions of

Attachment 2 to this Letter."

4. A new Section 3.01 (c) is added, and reads as follows:

"(c) Notwithstanding the provisions of Paragraph (b) above, the Borrower shall make available the funds allocated for Part H of the Project directly to the Authority."

5. The following is added at the end of Section 3.02;

" ... and the Attachment to the Letter amending the Project Agreement of even date herewith."

6. The words "and for Special Account B" are added in Section 4.01 (b) (i), after the words "Special Account."

7. A new sub-paragraph (c) is added in Section 5.01 and reads as follows:

"(c) Any change shall have been made in the Memorandum of Association and Bye-laws of the Authority so as to affect materially and adversely the ability of the Authority to perform any of its obligations under this Letter."

8. The table in Schedule 1 to the Development Credit Agreement is replaced with the table in Attachment 1 to this Letter.

9. A new sub-paragraph (iii) is added at the end of paragraph 3 of Schedule 1 to the Development Credit Agreement, and reads as follows:

"(iii) prior to the date of this Letter, except that withdrawals for Part H of the Project in an aggregate amount not to exceed SDR3.5 million may be made on account of payments made for expenditures before the date of this Letter but after December 1, 1999."

10. A new objective is added in the first paragraph of Schedule 2 and reads as follows:

"; and (d) supporting the reconstruction of the Affected Area."

11. A new part is added in Schedule 2, and reads as follows:

Part H. Reconstruction of the Affected Area:

1. Rehabilitation of Public Infrastructure: Rebuilding and repairing damaged irrigation, drainage, rural and urban water and sewerage systems, roads and bridges, and power systems, in the Affected Area, and provision of consultants' services for design and supervision of such works.

2. Rehabilitation and Retrofitting of Social Infrastructure: (i) Rebuilding and repairing schools, health facilities, and community shelters/centers, and provision of consultants' services for design and supervision of such works and NGOs' services, and training to enhance awareness of cyclone resistant design and construction methods; and (ii) provision of equipment for setting up Agro Service Centers for providing agro services to the farmers affected by the cyclone.

3. Capacity Building for Natural Disaster Management: Preparation of plans emphasizing the strengthening of prevention, mitigation and management skills of public sector agencies, and carrying out of studies in such areas as vulnerability assessment, micro-zoning, land use mapping, hydrological/ hydro-geological research, drainage and flood protection, and preparation of new building codes for cyclone resistant buildings, and provision of equipment, consultants' and NGOs' services and training.

4. Social Capital Restoration: Undertaking of activities to restore social cohesiveness, including community hearings and workshops, and

provision of psychological support to affected families.

5. Project Management: Strengthening the Authority's capabilities through provision of equipment and vehicles, incremental operation and staff costs, and consultants' and NGOs' services.

Please confirm your agreement with the foregoing amendment by signing and dating the confirmation form on the enclosed copy of this letter, and returning it to us for our files. This amendment shall become effective on the date of confirmation by both parties. A copy of this letter is enclosed for your files, and another copy is being sent to the Chief Secretary, Government of Orissa, and to the Authority, for information.

Sincerely,

By /s/ Edwin R. Lim
Country Director
India

CONFIRMED

INDIA

By /s/ Abha Jha
Deputy Secretary
Ministry of Finance

Date: December 19, 2000

ATTACHMENT 1

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
For Parts A through G of the Project		
(1) Civil Works	117,900,000	90%
(2) Goods	11,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services, studies and training (including NGOs' Services)	16,700,000	100%
(4) Incremental staff salaries and allowances, and incremental operation and maintenance costs for Parts C, F and G of the Project	1,200,000	90% until March 31, 1998, 75% until March 31, 1999, and 50% until March 31, 2001

(5)	Unallocated	12,300,000	
	Total for Parts A through G of the Project	159,800,000	
For Part H of the Project			
(6)	Civil works	24,300,000	90%
(7)	Goods (except for	2,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(8)	Goods for Agro Service Centers	1,700,000	40% of expenditures for each Center, subject to a limit of Indian Rupees 200,000 per Center
(9)	Consultants' services, studies and training (including NGOs' Services)	1,600,000	100%
(10)	Incremental staff salaries and allowances, and incremental operation and maintenance costs for Part H of the Project	400,000	90% until June 30, 2001, and 75% thereafter
(11)	Unallocated	4,700,000	
	Total for Part H of the Project	35,000,000	
	TOTAL	194,800,000	

ATTACHMENT 2

Special Account B

1. For the purposes of this Attachment:

(a) the term "eligible Categories" means Categories (6), (7), (8), (9) and (10) set forth in Attachment 1 to this Letter;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for Part H of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10 million to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Attachment.

2. (a) Payments out of the Special Account shall be made exclusively for

eligible expenditures in accordance with the provisions of this Attachment.

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$1.5 million shall be made exclusively out of the Special Account. The Association may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the 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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) 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 paragraph 4 of this Attachment 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.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. 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.

5. Notwithstanding the provisions of paragraph 3 of this Attachment, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) 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, or if Orissa shall have failed to furnish to the Association, within the period of time specified in Section 3.02 of the Project Agreement, any of the audit reports required to be furnished to the Association pursuant to said Sections;

(c) 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 the provisions of Section 6.02 of the General Conditions; and

(d) once the total unwithdrawn amount of the Credit allocated to the

eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part H of the Project, 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 allocated to the eligible Categories 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.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Attachment; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 6 (a), (b) and (c) of this Attachment shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

