

CONFORMED COPY

LOAN NUMBER 4056 IN

Project Agreement

(Uttar Pradesh Rural Water Supply and Environmental
Sanitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF UTTAR PRADESH

Dated July 22, 1996

LOAN NUMBER 4056 IN

PROJECT AGREEMENT

AGREEMENT, dated July 22, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE OF UTTAR PRADESH, acting by its Governor (Uttar Pradesh).

WHEREAS 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 in various currencies equivalent to fifty-nine million six hundred thousand dollars (\$59,600,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Uttar Pradesh agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS Uttar 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) Uttar 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 through PMU with due diligence and efficiency, in accordance with the Implementation Manual, and in conformity with appropriate administrative, financial and rural water supply and environmental sanitation practices and shall provide, 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 Uttar Pradesh shall otherwise agree, Uttar Pradesh shall carry out the Project in accordance with the implementation Program set forth in Schedule 2 to this Agreement.

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 the Project Agreement.

Section 2.03. (a) Uttar 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 Uttar Pradesh Agreement.

(b) For the purposes of Section 9.07 of the General Conditions, and without limitations thereto, Uttar Pradesh shall prepare 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 Uttar Pradesh, a plan satisfactory to the Bank for the future operation of the Project.

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

ARTICLE III

Financial Covenants

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

(b) Uttar Pradesh shall:

- (i) have its 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 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, accounts and 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 Uttar 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 Uttar Pradesh 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 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, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For Uttar Pradesh:

Secretary to the Government of Uttar Pradesh
Department of Rural Development
Lucknow, Uttar 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 Uttar Pradesh may be taken or executed by the Secretary to the Government of Uttar Pradesh, Department of Rural Development, or such other person or persons as Uttar Pradesh shall designate in writing, and Uttar 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/ D. Joseph Wood

Regional Vice President
South Asia

STATE OF UTTAR PRADESH

By /s/ N. Valluri

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 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: Procurement Procedures

1. National Competitive Bidding

(i) Except as provided in paragraph 2 below, equipment and materials for Part A of the Project, and (ii) contracts for goods, works and related services for Regional Schemes may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Equipment and materials under Part A of the Project estimated to cost \$25,000 equivalent or less per contract 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. National Shopping/Direct Contracting

Contracts for goods, works and related services for Single Schemes may be procured, whenever possible, by inviting bids from at least two Support Organizations in accordance with paragraphs 3.3 and 3.4 of the Guidelines, or in Project Villages where only one Support Organization is available, on a sole source basis, in accordance with the provisions of paragraph 3.8 of the Guidelines, both under procedures acceptable to the Bank.

Part C: 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

(a) With respect to (i) each contract for goods, works and related services for Regional Schemes estimated to cost the equivalent of \$300,000 or more; and (ii) each contract for equipment and materials for Part A of the Project estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) Uttar Pradesh shall furnish to the Bank, for the Bank's review and approval, prior to execution (i) the first 50 contracts under the First batch Schemes; and (ii) each contract for goods, works and related services for Single Schemes estimated to cost the equivalent of \$100,000 or more.

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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

1. Uttar Pradesh shall complete, not later than April 1, 1997, the transfer of responsibility for the rural water supply sector from its Department of Urban Development to its Department of Rural Development.

2. Uttar Pradesh shall (i) select the Support Organizations participating in the Project in accordance with eligibility criteria agreed with the Bank; and (ii) review the adequacy of such criteria at the end of the Implementation Phase of each batch of Schemes, and only introduce changes thereto that are acceptable to the Bank.

3. Uttar Pradesh shall (i) select the Schemes under the Project in accordance with eligibility criteria agreed with the Bank; and (ii) review the adequacy of such criteria at the end of the Implementation

Phase of each batch of Schemes, and only introduce changes thereto that are acceptable to the Bank.

4. Uttar 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, not later than June 30, 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 December 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.

5. Uttar Pradesh shall (i) furnish to the Bank not later than December 31, 1999, for the Bank's review and comments, the draft strategic plan for the water and environmental sanitation sector under Part C.1 of the Project; and (ii) finalize such a plan, taking into consideration the Bank's comments, not later than June 30, 2000.

6. Uttar Pradesh shall cause PMU to enter into arrangements with each Support Organization and Project Village under terms and conditions, acceptable to the Bank, which shall include, inter alia, that (i) each Support Organization shall maintain separate accounts in respect of each Scheme being carried out by such Support Organization under the Project in accordance with the accounting manual prepared by PMU as part of its Implementation Manual; (ii) each Support Organization shall furnish to PMU prior to each payment an updated Scheme accounts; and (iii) PMU shall not make any payment to such Support Organization until the accounts referred to in (ii) above have been found satisfactory by PMU.

7. Uttar Pradesh shall cause PMU (i) to engage independent auditors acceptable to the Bank to audit the accounts referred to in paragraph 6 above; and (ii) not to proceed with signing the contract for the Implementation Phase of the Scheme until the audit report for the accounts concerning the first two payments made to such Support Organization for the Planning Phase of such Scheme are received and found satisfactory by PMU.

8. Uttar Pradesh shall cause PMU to furnish to the Bank, for the Bank's review and comments (i) without limitation to the provisions of Section 9.06 of the General Conditions, not later than one month after the end of each quarter and Fiscal Year, starting 1996, its quarterly and annual progress reports, respectively, of the activities carried out under the Project; and (ii) not later than December 31 of each year, starting 1996, its annual work program, including budget provisions, for the Project.

9. Uttar Pradesh shall (i) carry out the studies under Parts C.4 and C.6 of the Project in accordance with terms of reference agreed with the Bank; and (ii) discuss with the Bank, not later than June 30, 2000, and June 30, 2001, respectively, the results of those studies.

10. (a) Uttar Pradesh shall cause PMU to ensure that any land acquisition for Single Schemes under the Project shall be carried out on a voluntary basis and in accordance with an agreement satisfactory to the Bank between such land occupant and VWSC.

(b) For Regional Schemes, the development plan referred to in Part C.2 of the Project shall include a policy framework, acceptable to the Bank, addressing potential impact on any persons who may be affected by construction of such Regional Schemes.

