

CONFORMED COPY

CREDIT NUMBER 2594 IN

Project Agreement

(Maharashtra Emergency Earthquake Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF MAHARASHTRA

Dated April 6, 1994

CREDIT NUMBER 2594 IN

PROJECT AGREEMENT

AGREEMENT, dated April 6, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF MAHARASHTRA, acting by its Governor (Maharashtra).

WHEREAS by the Development Credit Agreement of even date herewith between India, acting by its President (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred seventy-seven million Special Drawing Rights (SDR 177,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Maharashtra agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS Maharashtra, 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 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) Maharashtra 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 Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility 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 Maharashtra shall otherwise agree, Maharashtra shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the 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. Maharashtra 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 Part A of the Project and the Project Agreement.

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

ARTICLE III

Particular Covenants

Section 3.01. (a) Maharashtra shall maintain or cause to be maintained 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 Maharashtra responsible for carrying out the Project or any part thereof.

(b) Maharashtra 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 Association.
- (ii) furnish to the Association as soon as available, but in any case not later than nine 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 Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 3.02. Maharashtra shall, under arrangements satisfactory to the Association, establish an independent dam safety panel to review proposals for the strengthening of large dams in the earthquake prone areas of Maharashtra.

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 Maharashtra 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 twenty 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 Maharashtra 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 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 Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

For Maharashtra:

Secretary and Special Commissioner
to the Government of Maharashtra
Department of Relief and Rehabilitation
(Earthquake)
Mantralya, Bombay
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 Maharashtra may be taken or executed by a Secretary to the Government of Maharashtra or such other person or persons as Maharashtra shall designate in writing, and Maharashtra 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood
Regional Vice President
South Asia

STATE OF MAHARASHTRA

By /s/ Kanwal Sibal
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, Maharashtra shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, Maharashtra shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items or groups of items estimated to cost the equivalent of \$200,000 or less per contract up to an aggregate amount of \$30,000,000 equivalent may be procured on the basis of competitive bidding, advertised locally in accordance with procedures satisfactory to the Association.

2. Notwithstanding the foregoing provisions of paragraph 1 above, items or groups of items estimated to cost the equivalent of \$50,000 each or less up to an aggregate amount of \$2,000,000 equivalent may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers in accordance with procedures satisfactory to the Association.

3. Subject to the provisions of paragraph 4 below, civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association

4. Small and emergency works estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$10,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, or under force account.

5. Livestock estimated to cost the equivalent of \$500 each up to an aggregate of \$2,000,000 may be purchased by direct contracting, in accordance with established procedures of Maharashtra for such purchases.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$500,000 or more and for equipment, materials and vehicles estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be

furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower and Maharashtra in carrying out the Project, the Borrower and Maharashtra shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis 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, Maharashtra shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, Maharashtra shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association 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 individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contacts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (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. Maharashtra shall carry out Part A of the Project in accordance with (i) the Program Management Plan dated March 4, 1994 agreed upon between the Association and Maharashtra; and (ii) the Program Implementation Plan referred to in paragraph 9 of this Schedule 2, and in conformity with the Rehabilitation Policy.

2. Maharashtra shall prepare and furnish to the Association a satisfactory implementation plan incorporating a computerized management information system for works to be carried out under Part A (ii) of the Project, which shall include limits to the rehabilitation program in respect of villages to be repaired and rehabilitated in-situ.

3. Maharashtra shall prepare a computerized data base, which shall include, inter alia, the results of the survey of damaged buildings and a baseline social data, all in a form agreed upon between the Association and Maharashtra.

4. Maharashtra shall prepare and publish complete lists of beneficiaries in each village in respect of each component of the rehabilitation program under the Project.

5. Maharashtra shall, prior to award of the contracts, prepare in consultation with the communities and publish a comprehensive rehabilitation program including an environmental statement, for each village under the Project.

6. Maharashtra shall ensure that design and supervision of construction of all housing work under Part A of the Project is carried out in conformity with standards and procedures satisfactory to the Association.

7. Maharashtra shall establish and maintain an independent quality assurance and technical audit group for the works to be carried out under Part A of the Project, reporting to the Central Implementation Group and the Project Director.

8. Maharashtra shall undertake the repairs of about 180,000 houses referred to in Part A (ii) of the Project only after:

(a) the seismic engineering experts satisfactory to the Association have been appointed;

(b) social surveys satisfactory to the Association in respect of about 100 villages have been undertaken;

(c) a detailed survey including damage assessment, design solutions and cost estimates, acceptable to the Association, with the assistance of seismic engineering experts, has been undertaken.

(d) Maharashtra has deployed technicians trained in a manner satisfactory to the Association; and

(e) Maharashtra has prepared a detailed action plan satisfactory to the Association, including a strategy for completion of said repairs within a period of three years.

9. Maharashtra shall prepare and furnish to the Association a satisfactory Program Implementation Plan which shall indicate the methods and scheduling of implementation of all components of Part A of the Project.

10. Maharashtra shall implement the Rehabilitation Action Plan dated March 12, 1994 agreed upon between the Association and Maharashtra, in a timely manner.

