

CONFORMED COPY

LOAN NUMBER 4622 IN

Project Agreement

(Grand Trunk Road Improvement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL HIGHWAYS AUTHORITY OF INDIA

Dated July 27, 2001

LOAN NUMBER 4622 IN

PROJECT AGREEMENT

AGREEMENT, dated July 27, 2001, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the NATIONAL HIGHWAYS AUTHORITY OF INDIA (NHAI).

WHEREAS by the Loan Agreement of even date herewith between India (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to five hundred eighty-nine million dollars (\$589,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that NHAI agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS NHAI, 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) NHAI declares its commitment to the objectives of the Project and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, transport, social 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 Bank and NHAI shall otherwise agree, NHAI shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement and the Project Implementation Plan.

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 this Agreement.

Section 2.03. (a) NHAI 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 Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, NHAI shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, 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 NHAI, a plan designed to ensure the continued achievement of the Project's objectives; and
- (ii) afford the Bank a reasonable opportunity to exchange views with NHAI on said plan.

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

ARTICLE III

Management and Operations of NHAI

Section 3.01. NHAI shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering, transport, social and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. NHAI shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and transport practices.

Section 3.03. NHAI shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) NHAI shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) NHAI shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each Fiscal Year audited, in accordance with auditing standards acceptable to the Bank, 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 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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, NHAI shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable NHAI, not later than January 1, 2003 or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

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

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, NHAI shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of NHAI thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify NHAI thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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 Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

For NHAI:

Chairman
National Highways Authority of India
1 Eastern Avenue
Maharani Bagh
New Delhi -- 110065, India

Facsimile:
91-11-692-4383

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NHAI may be taken or executed by the Chairman, NHAI or such other person or persons as the Chairman, NHAI shall designate in writing, and the Chairman, NHAI shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edwin Lim

Country Director, India

NATIONAL HIGHWAYS AUTHORITY OF INDIA

By /s/ Deepak Dasgupta

Authorized Representative

SCHEDULE 1
Procurement

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.

(a) Prequalification

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

(b) 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.

(c) Preference for domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to works to be carried out by domestic contractors.

(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

Works under Part B of the Project estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$20,000,000 equivalent, may be procured under contracts awarded on the basis of competitive bidding advertised nationally, in accordance with procedures satisfactory to the Bank.

2. National Shopping/ Direct Contracting

Goods estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$560,000 equivalent, and the aerial survey work estimated to cost less than \$4,000,000 equivalent:

(i) 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; or

(ii) may, with the Bank's prior agreement, be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. Three Quotations/Direct Contracting/Force Account

Works estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$16,400,000 equivalent, related to: (a) infrastructure facilities for carrying out resettlement and rehabilitation of project affected people under Part A.2 of the Project; (b) the implementation of environmental mitigation measures under Part A.2 of the Project; (c) road safety and corridor management under

Part B of the Project; and (d) other minor items as agreed by NHAI and the Bank:

- (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 Bank, 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 Bank'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 \$5,000,000 equivalent when added to the works procured under subparagraph (iii) of this paragraph 3; or
- (iii) may, if they meet the requirements of paragraph 3.8 of the Guidelines and with the Bank'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 \$5,000,000 equivalent when added to the works procured under subparagraph (ii) of this paragraph 3.

4. BOO/BOT/BOOT Procurement

The section of the national highways to be upgraded under the pilot project under Part C of the Project may be constructed, operated and subsequently transferred under a contract awarded to an entrepreneur on the basis of international competitive bidding procedures in accordance with the provisions of Section II of the Guidelines, subject to the provisions of paragraph 3.13(a) thereof. The goods/works/services required for the construction under said pilot project shall then be procured in accordance with the applicable procedures of said entrepreneur.

Part D: 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

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to: (a) each contract for works to be procured under paragraph 1 of Part B of this Section I and under paragraph 4 of Part C of this Section I; (b) the first two contracts for works to be procured under paragraph 1 of Part C of this Section I, irrespective of value; (c) each contract for works to be procured under paragraph 1 of Part C of this Section I estimated to cost the equivalent of \$5,000,000 or more; and (d) each contract for goods estimated to cost the equivalent of \$4,000,000 or more.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedure set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply. Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. 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.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services for: (i) the implementation of the road safety action plan under Part D of the Project; (ii) the cross-state border road transport efficiency study under Part D of the Project; (iii) the sector-related studies and pre-investment studies under Part D of the Project; and (iv) the preparation and implementation of any additional environmental and related safeguard measures under Part A.1 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services for: (i) the training and streamlining of procedures for the social and environmental capacity building under Part D of the Project; and (ii) the implementation of each EMP and each RAP may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for: (i) safety audits under Part B of the Project; (ii) the poverty impact of highway development study under Part D of the Project; and (iii) the training of trainers and dissemination of road safety manuals under Part D of the Project may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services 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 Bank 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 Bank 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 Bank, 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 Bank 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

State Level Coordination

1. NHAI shall ensure that state level Project Coordinating Committees are maintained in the States of Uttar Pradesh, Bihar and Jharkhand, under suitable arrangements between NHAI and those States, and with the composition, powers, functions and resources, all satisfactory to the Bank.

External Stakeholders Advisory Group

2. NHAI shall maintain an advisory group of external stakeholders, which shall meet at least twice each year to review the overall program and strategy being implemented under the Project.

Environmental Assessment and Environmental Management

3. NHAI shall:

(a) (i) obtain from the relevant governmental authorities all necessary environmental and forestry clearances for all the sections of roads included in the Project; (ii) submit copies of such clearances to the Bank before contracts for the works for the relevant sections of the roads are awarded; and (iii) comply with all the conditions imposed by the relevant governmental authorities under such clearances;

(b) ensure that all contracts for civil works under the Project will include environmental mitigation measures satisfactory to the Bank; and

(c) implement the environmental mitigation, monitoring, institutional strengthening and other measures set forth in the EA, each EMP and the Tree Plantation Strategy in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein and shall not take any action which would prevent or interfere with such implementation.

Land Acquisition; Resettlement and Rehabilitation

4. NHAI shall:

(a) without limitation to Section 9.09 of the General Conditions, take such action as may be necessary to acquire land as and when needed for carrying out the Project; and

(b) implement the resettlement and rehabilitation and related measures set forth in each RAP in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein and shall not take any action which would prevent or interfere with such implementation.

Public-private Partnership in Road Concession

5. NHAI shall: (a) prior to inviting bids for any contract with a private entity participating in a pilot project under Part C of the Project, submit to the Bank an environmental impact assessment, an environmental management plan and a resettlement action plan, all satisfactory to the Bank, for the roads included in such pilot project; and (b) thereafter, ensure that all measures set forth in such assessment and plans, including without limitation environmental mitigation, resettlement and rehabilitation and related measures, will be implemented in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein and that any action which would prevent or interfere with such implementation will not be taken.

Roads Not Included in Project Implementation Plan

6. NHAI shall not use any part of the proceeds of the Loan to undertake civil works on any roads not included in the Project Implementation Plan, unless and until NHAI has submitted to the Bank documentation satisfactory to the Bank for undertaking civil

works for such roads, including without limitation a feasibility study report, an environmental management plan and a resettlement action plan.

Cross-state Border Road Transport Efficiency Study

7. NHAI shall: (i) by December 31, 2001, arrange for a cross-state border road transport efficiency study, with methodology, scope and content satisfactory to the Bank, to be initiated by an independent consultant, with qualifications, experience and terms of reference satisfactory to the Bank; (ii) thereafter furnish to the Bank a monthly progress report of such study; and (iii) within one year of the commencement of such study, complete the study and furnish to the Bank a final report of the study.

User Costs and Asset Condition

8. NHAI shall, not later than December 31 of each year, beginning with the year 2001, furnish to the Bank a report, in form and substance satisfactory to the Bank, on the condition of the NHAI network and projected future user costs, and on the condition of its assets, together with forecast levels of maintenance.

Travel Speeds and Accidents

9. NHAI shall, not later than November 30 of each year, beginning with the year 2001: (a) furnish to the Bank a report, in form and substance satisfactory to the Bank, on travel speeds and accidents in respect of the highways included in Part B.1 of the Project; and (b) on the basis thereof, agree with the Bank on the expenditure program for the following year for said highways under said Part of the Project.

Quarterly Reports

10. Within forty-five (45) days after the end of each quarter, NHAI shall provide to the Bank a quarterly report setting forth: (a) the progress of Project implementation and the achievement of the indicators referred to in paragraph 12 below; and (b) a proposed action plan for each Part of the Project for the following quarter.

11. At the request of the Bank, NHAI shall: (a) review with the Bank each of the reports referred to in the preceding paragraph; and (b) thereafter take all measures required to improve the implementation of the Project and the achievement of the objectives thereof by duly taking into account the Bank's views on the matter.

Monitoring and Evaluation; Mid-Term Review

12. NHAI 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, by September 1, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, 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 October 1, 2003, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, 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.

