

CONFORMED COPY

CREDIT NUMBER 1780 IN  
LOAN NUMBER 2797 IN

Project Agreement  
(Uttar Pradesh Urban Development Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

STATE OF UTTAR PRADESH

Dated December 21, 1987

CREDIT NUMBER 1780 IN  
LOAN NUMBER 2797 IN

PROJECT AGREEMENT

AGREEMENT, dated December 21, 1987, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE OF UTTAR PRADESH, acting by its Governor (Uttar Pradesh).

WHEREAS (A) 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 six million three hundred thousand Special Drawing Rights (SDR 106,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Uttar Pradesh agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the Loan Agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to twenty million dollars (\$20,000,000), 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;

(C) Part A of the Project will be carried out by Uttar Pradesh with the Borrower's assistance and, as part of such assistance, the proceeds of the Loan provided for in the Loan Agreement and a part of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to Uttar Pradesh by the Borrower; and

WHEREAS Uttar Pradesh, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, and in further 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. Wherever used in this Agreement, unless the context otherwise requires:

(a) reference to the Association shall also be deemed as reference to the Bank;

(b) reference to the Credit shall also be deemed as reference to the Loan; and

(c) the several terms defined in the Development Credit Agreement, in the Loan Agreement, the Preamble to this Agreement and in the General Conditions (as so defined in the Development Credit Agreement and the Loan Agreement) 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 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 Uttar Pradesh shall otherwise agree, Uttar Pradesh shall carry out Part A of the Project in accordance with: (i) the Implementation Procedures set forth in the Schedule to this Agreement, as such Schedule may be amended from time to time by agreement among the Borrower, the Association and Uttar Pradesh; and (ii) an operational action plan, as such plan may be reviewed on an annual basis, and amended, as necessary, by agreement between the Association and Uttar Pradesh.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to the Development Credit Agreement.

Section 2.03. Uttar Pradesh 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 referred to in Section 1.01 of the Development Credit Agreement and in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions referred to in Section 1.01 of the Loan Agreement (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.

Section 2.04. (a) Uttar Pradesh shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) Uttar Pradesh shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A of the

Project, the accomplishment of the purposes of the Credit, or the performance by Uttar Pradesh of its obligations under this Agreement.

### ARTICLE III

#### Other Covenants

Section 3.01. Uttar Pradesh shall make the proceeds of the Credit available to the Project Towns on terms and conditions satisfactory to the Association.

Section 3.02. (a) Uttar Pradesh shall cause the U.P. Implementing Agencies to maintain separate records and accounts adequate to reflect in accordance with sound accounting practices, their operations, resources and expenditures in respect of Part A of the Project.

(b) Uttar Pradesh shall cause the U.P. Implementing Agencies to:

(i) have their 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, a certified copy of 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 and said records, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, Uttar Pradesh shall cause the U.P. Implementing Agencies to:

(i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures furnished during such fiscal year together with the procedures and internal controls involved in their preparation, can be relied upon to support such withdrawals.

### 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, the Bank and of Uttar Pradesh thereunder shall terminate on the earlier of the following two dates:

Agreement (i) the date on which the Development Credit Agreement and the Loan shall terminate in accordance with their respective terms; or

(ii) a date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement and the Loan Agreement terminate in accordance with their respective terms before the date specified in paragraph (a) (ii) of this Section, the Association and the Bank shall promptly notify Uttar Pradesh 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 Credit Agreement or the Loan Agreement.

#### 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 radio gram 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:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For Uttar Pradesh:

Secretary to the Government of Uttar Pradesh  
Housing and Urban Development Department  
Lucknow, U.P., India

Cable address:

HOUSING  
Lucknow

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 a Secretary to the Government of Uttar Pradesh or such other person or persons as Uttar Pradesh shall designate in writing, and Uttar Pradesh 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/ B. Alisbah

Acting Regional Vice President  
Asia

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By /s/ B. Alisbah

Acting Regional Vice President  
Asia

STATE OF UTTAR PRADESH

By /s/ N. Misra

Authorized Representative

SCHEDULE

Implementation Procedures

1. Without limitation upon the rights of the Association, Project Towns which fail to meet the financial performance targets set forth in paragraph 8 of this Schedule and the operational action plan referred to in Section 2.01 (b) of this Agreement, or which unreasonably delay the implementation of the Project activities, may have their capital funds reduced and such funds may be reallocated by Uttar Pradesh to better-performing towns or, in consultation with the Association, to towns included in Section 1.02 (e)(iv) of the Development Credit Agreement.
2. Uttar Pradesh shall employ adequate staff in the Low-Cost Sanitation Cell of its Directorate of Local Bodies with appropriate disciplines, sufficient to carry out the low-cost sanitation component under Part A of the Project in respect of the terms included in Section 1.02 (e)(v) of the Development Credit Agreement.
3. Uttar Pradesh shall keep the Association informed of any proposed changes to be made in the role of any Implementing Agency.
4. Uttar Pradesh shall ensure that the Traffic Engineering and Management Cells to be established for the cities of Agra, Varanasi, Allahabad and Lucknow shall be similar to the Cell established for the city of Kanpur, and shall be adequately

staffed prior to commencement of physical works under the Project.

5. Uttar Pradesh shall consult with the Association prior to any major changes being made in the investment programs of any of the Project Towns by Uttar Pradesh or the relevant Project Town.

6. Lease and hire purchase agreements in respect of the sites and services component and the area development component included in Part A of the Project shall be on such terms and conditions which shall take into account the repaying capacity of the beneficiary and ensure full cost recovery.

7. Uttar Pradesh shall ensure that the Project Towns shall cover full operation and maintenance costs and debt service requirements in respect of their water supply and sewerage operation. For the purposes of this paragraph:

(i) the term "debt" means any debt maturing by its terms more than twelve months after the date on which it is originally incurred: and

(ii) the term "debt service requirements" means the aggregate amount of amortization, interest and other charges in respect of debt.

8. Project Towns shall be required to generate revenues sufficient to finance an increasing proportion of their revenue expenditures in line with measures outlined in the operational action plan referred to in Section 2.01(b) of this Agreement.

9. Uttar Pradesh shall: (i) prepare proposals, in consultation with the Borrower, to minimize the negative effects of the rent control in force in the State; (ii) furnish such proposals to the Association for its comments by March 31, 1989; and (iii) take steps to implement mutually agreed proposals.

