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CREDIT NUMBER 4802-IN

Project Agreement

(Bihar - Kosi Flood Recovery Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF BIHAR

Dated January 12, 2011

PROJECT AGREEMENT

AGREEMENT dated January 12, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and STATE OF BIHAR (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between INDIA (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project through the BAPEPS and BRLPS, in accordance with the provisions of Article IV of the Association’s General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is Development Commissioner, Government of Bihar.
- 3.02. The Association’s Address is:

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

Facsimile:

1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Development Commissioner, Government of Bihar
Main Secretariat
Patna 800001
Bihar

AGREED at Patna, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zagha
Authorized Representative

STATE OF BIHAR

By /s/ Vijoy Prakash
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall:
 - (a) carry out Parts A, B, C, E and F of the Project through the BAPEPS, which shall, *inter alia*, be responsible for coordinating the overall implementation of Parts A, B, C, E and F of the Project, including, but not limited to, reporting, monitoring and evaluation, the procurement, financial management, audit and disbursements processes, compliance with the ESMF, EMP, and RAP, and coordination with line agencies and the Association. In discharging its obligations under the Project, BAPEPS shall use the services of: (i) the District Administrations, led by the District Magistrates for the implementation and monitoring of Part A; (ii) RCD, through BRPNN for the construction of bridges on the state highways and major district roads, and RWD, through BRRDA, for the rural road works under Part B; and (iii) WRD for the implementation of Part C; and
 - (b) carry out Part D of the Project through BRLPS which shall, *inter alia*, be responsible for reporting, monitoring and evaluation, the procurement, financial management, audit and disbursements processes, compliance with ESMF, EMP, and RAP, and coordination with line agencies and the Association with respect to Part D of the Project.
2. The Project Implementing Entity shall:
 - (a) implement the Project in accordance with the OM;
 - (b) not amend or waive any provision of the OM, without prior agreement with the Recipient and the Association;
 - (c) prepare and furnish to the Association, not later than December 31 of each year, commencing in December 31, 2010, an annual work plan, budget and procurement plans for implementation of the Project, in such form and detail as the Association shall request, and finalize, not later than February 1 of the following year, such plans taking into account the Association's comments thereon; and

- (d) employ, not later than January 15, 2011, or such later date as agreed by the Association, procurement and financial management experts, under the terms of reference agreed between the Association and the Project Implementing Entity.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

C. Grants Under Part A of the Project

1. Grants under Part A of the Project shall be made to Beneficiaries selected in accordance with the terms, conditions and criteria set forth in the OM, which shall, *inter alia*, include that:
 - (a) the Project Implementing Entity has adopted an owner-driven reconstruction approach and has issued a policy directive to this effect;
 - (b) the Project Implementing Entity and the ODRC have entered into a Memorandum of Understanding pursuant to which ODRC shall provide technical and social mobilization support to the Project Implementing Entity; and
 - (c) each Beneficiary has signed an “Undertaking”.
2. Grant proceeds shall be transferred to Beneficiaries, in tranches, by crediting their bank accounts directly, based on achieved milestones as described in the OM, and, as and when relevant, subject to technical certification. Only the housing units that have been substantially completed and meeting the quality standards, shall be eligible for financing under the Project, excepting force majeure conditions.

D. Grants under Part D of the Project: Terms and Conditions of Beneficiary Agreements

1. The Project Implementing Entity shall ensure that, for purposes of each Grant under Part D of the Project, it shall enter into a Beneficiary Agreement with a CBO consistent with the terms set forth in the OM.
2. The Project Implementing Entity shall: (a) ensure that the Beneficiaries are selected in accordance with the terms and conditions set forth in the OM; and (b) cause release of Grant funds in a timely manner to CBOs, all in accordance with the procedures and guidelines set forth in the OM.

3. The Project Implementing Entity shall protect the interests of the Recipient, the Association and the Project Implementing Entity, including the right to:
 - (a) require that activities financed by the Grant to be carried out in accordance with the OM and the Anti-Corruption Guidelines, GAAP, and ESMF, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards, and that adequate records to reflect the utilization of the Grant be maintained;
 - (b) require that the goods, works and services to be financed from the proceeds of the Financing be procured in accordance with the procedures set forth in Section III of this Schedule;
 - (c) obtain all such information as the Project Implementing Entity or the Association shall reasonably request, regarding the administration, operation and financial condition of the CBO to which a Grant shall have been made; and
 - (d) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant upon failure by the Beneficiary to perform any of its obligations under the Beneficiary Agreement.

E. Safeguards

1. The Project Implementing Entity shall implement the ESMF in a manner and substance satisfactory to the Association and the Project Implementing Entity.
2. The Project Implementing Entity shall not amend, suspend or waive the ESMF, the EMPs, and any RAP, or any provision thereof, without prior agreement from the Recipient and the Association.
3. The Recipient shall cause the Project Implementing Entity to carry out the EMP and the RAP, in accordance with the provision of the ESMF and the OM.
4. The Project Implementing Entity shall ensure that:
 - (a) the Project shall be implemented, as far as reasonably practicable, on publicly-owned land, using land free from squatters, encroachments or other encumbrances; and
 - (b) where unavoidable, land acquisition shall be kept to a strict minimum, and shall be undertaken exclusively in accordance with guidelines and procedures set forth in the ESMF, including establishment of appropriate grievance redress mechanisms to address potential disputes arising out of such acquisition.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports, in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding, subject to the additional provisions set forth in the Procurement Plan
(b)	Shopping
(c)	Direct Contracting
(d)	Community Participation in Procurement
(e)	Force Account

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality Based Selection
(b)	Selection Under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection Based on Consultant's Qualifications
(e)	Single Source Selection
(f)	Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.