

CONFORMED COPY

CREDIT NUMBER 2801 IN

Project Agreement

(Orissa Water Resources Consolidation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ORISSA

Dated January 5, 1996

CREDIT NUMBER 2801 IN

PROJECT AGREEMENT

AGREEMENT, dated January 5, 1996, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF ORISSA (Orissa).

WHEREAS (A) the Association has received a letter dated July 11, 1995, from Orissa describing sector reforms that constitute the framework for improving the development of water resources in Orissa including policy, institutional and administrative reforms (hereinafter called the Policy Reform Program), and declaring Orissa's commitment to carry out such Policy Reform Program;

(B) by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred ninety-four million eight hundred thousand Special Drawing Rights (SDR 194,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Orissa agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement, and in this Agreement; and

WHEREAS Orissa, 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) Orissa 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 the Project through DOWR, with due diligence and efficiency and in conformity with appropriate administrative, financial, and water resource management 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 Orissa shall otherwise agree, Orissa 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 Association 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 Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Orissa 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 the Project Agreement.

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

Section 2.05. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, Orissa shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between Orissa and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with Orissa on said plan.

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE III

Financial Covenants

Section 3.01. (a) Orissa 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 Orissa responsible for carrying out the Project or any part thereof.

(b) Orissa 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 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, accounts and financial statements as well as the audit thereof, as the Association 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 Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Orissa 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 (20) 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 Orissa 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 Orissa:

Chief Secretary
Government of Orissa
Secretariat
Bhubaneswar 751001
Orissa, India

Telex:

953-6756210

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 Orissa may be taken or executed by its Chief Secretary or such other person or persons as Orissa shall designate in writing, and Orissa 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/ Heinz Vergin

Acting Regional Vice President
South Asia

STATE OF ORISSA

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

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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contract for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower, and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

National Competitive Bidding

1. Except as provided in paragraph 4 below, works for scheme completion under Part A.1 of the Project (except Naraj barrage), and system improvement under Part B.1 of the Project (except Janivilli Anicut) shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Except as provided in paragraph 3 below, materials and equipment, including maintenance equipment, estimated to cost \$200,000 equivalent or less per contract and \$20,000,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. National Shopping

(i) Equipment and materials estimated to cost \$25,000 equivalent or less per contract, and \$4,500,000 equivalent or less in the aggregate, and (ii) vehicles estimated to cost \$100,000 equivalent or less per contract and \$2,000,000 equivalent or less in the aggregate, 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.

4. Direct Contracting/Force Account

Works which meet the requirements of paragraphs 3.7, 3.8 and 3.15 of the Guidelines, and estimated to cost \$20,000 equivalent or less per contract, and \$29,900,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out either (i) through direct

contracting, (ii) by force account, or (iii) through community participation or NGOs, in accordance with the provisions of said paragraphs 3.7, 3.8 and 3.15, respectively, of the Guidelines, and in accordance with procedures satisfactory to the Association.

5. Direct Contracting

Satellite imagery and aerial photography estimated to cost the equivalent of not more than \$300,000, and books, periodicals and proprietary computer software estimated to cost the equivalent of not more than \$200,000, may be purchased directly from the supplier, in accordance with the provisions of paragraph 3.7 of the Guidelines, and in accordance with procedures satisfactory to the Association.

Part D: Review by the Association 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 Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (i) the first five contracts of each civil works and goods; (ii) each contract for works estimated to cost the equivalent of \$300,000 or more; and (iii) each contract for goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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 Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

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 individual consultants 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 contracts, (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. Orissa shall: (i) provide annually, and make available in a timely manner during each fiscal year, starting April 1, 1996, to DOWR the funds required for satisfactory maintenance of all DOWR's infrastructure, in order to sustain such infrastructure in full operating order; (ii) provide such maintenance funds to a separate maintenance works budget exempt from withdrawals for salaries and wages; and (iii) cause DOWR, not later than December 31 of each year, starting December 31, 1996, to prepare and submit its annual maintenance budget estimates to Orissa and the Association, based on detailed command-by-command estimates following an agreed reporting, programming and budgeting, and monitoring and evaluation process.
2. Orissa shall cause DOWR to: (i) prepare and furnish to the Association, for the Association's review and comments, not later than October 31 of each year, beginning October 31, 1996, a draft annual review, action plan and funding proposal, including analysis of expenditure priorities, for DOWR's entire work program for the coming fiscal year; (ii) finalize such draft annual review, action plan and funding proposal taking account of the Association's comments, and furnish the final version of the annual review, action plan and budget to the Association not later than April 15 of each year, starting April 15, 1997; and (iii) thereafter implement the agreed action plan, including the timely provision of the approved budget funds, in a manner satisfactory to the Association.
3. Orissa shall, without limitations to the provisions of Section 2.01 of this Agreement, implement a system satisfactory to the Association for channeling the funds required for the Project, to the entities involved in carrying out the Project.
4. Orissa shall select the NGOs participating in the Project in accordance with criteria agreed with the Association.
5. In addition to the eight commands specified in Part A.1 of the Project, Orissa may select additional water schemes for initiation or completion, in accordance with criteria agreed with the Association, and subject to the Association's prior review and approval.
6. Orissa shall carry out the resettlement and rehabilitation under Part F of the Project in accordance with the Resettlement and Rehabilitation Plan, and in a manner and timetable acceptable to the Association.
7. Orissa shall carry out the Indigenous Peoples Development Plan, including the activities specified under Part G of the Project, in a manner and timetable acceptable to the Association.
8. Orissa shall maintain the Project Monitoring Committee established for assisting in the supervision of the Project with composition and responsibilities satisfactory to the Association.
9. Orissa 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 Association, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than March 31, 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 objective thereof during the period following such date; and

(c) review with the Association, by December 31, 1999, or such later date as the Association 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 objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

10. Orissa shall complete not later than March 31, 1998 the turnover of the distributaries and minors in Rushikulya Distributary No. 11, Godahada and Aunli commands, rehabilitated under Part B of the Project, to the beneficiary farmers for operation and maintenance, under terms and conditions satisfactory to the Association.

11. Orissa shall take all necessary measures to achieve recovery from users of the full cost of operations and maintenance of the combined water sector as follows: (i) 50% by March 31, 1997; (ii) 80% by March 31, 1998; and (iii) 100% by March 31, 2000. Orissa shall thereafter maintain such full cost recovery.

