

CONFIRMED COPY

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CREDIT NUMBER 1544 IN

# Project Agreement

(Bombay Urban Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF MAHARASHTRA

Dated March 1, 1985

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CREDIT NUMBER 1544 IN

PROJECT AGREEMENT

AGREEMENT, dated March 1, 1985, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and STATE OF MAHARASHTRA, acting by its Governor (hereinafter called Maharashtra).

WHEREAS by the Development Credit Agreement of even date herewith between INDIA, acting by its President (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred thirty-seven million seven hundred thousand Special Drawing Rights (SDR 137,700,000), 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 hereinafter set forth;

WHEREAS the proceeds of the Credit provided for under the Development Credit Agreement will be made available by the Borrower to Maharashtra in accordance with the Borrower's standard arrangements for development assistance to the States of India; and

WHEREAS Maharashtra, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth and the term "Rs" means rupees in the currency of the Borrower.

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

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Development Credit Agreement, and, to this end, shall carry out or cause to be carried out the Project described in said Schedule with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, substantially in accordance with the implementation procedures set forth in Schedule 2 to this Agreement, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) For the purposes of carrying out the Project, Maharashtra shall, except as the Association may otherwise agree, make available funds out of the proceeds of the Credit made available to it by the Borrower, as follows:

- (i) equivalent to: (A) \$15,200,000 to CIDCO for carrying out Part A (i) of the Project; and (B) \$25,230,000 to BMC for carrying out Parts A (iii), B (ii) and C (i) of the Project, under CIDCO and BMC Subsidiary Loan Agreements respectively, to be entered into between Maharashtra, and CIDCO and BMC, on terms and conditions satisfactory to the Borrower and the Association; and
- (ii) equivalent to: (A) \$82,690,000 to MHADA for carrying out Parts A (ii), B (i), and D (i) of the Project; (B) \$250,000 to BMRDA for carrying out Part D (ii) of the Project; (C) \$3,430,000 to TMC for carrying out Parts C (ii) and D (iii) of the Project; and (D) \$1,740,000 to KMC for carrying out Part C (iii) of the Project, on terms and conditions satisfactory to the Borrower and the Association.

Section 2.02. In order to assist Maharashtra in carrying out Part D of the Project, Maharashtra shall employ or cause to be employed consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association, such consultants to be selected in accordance with principles and procedures satisfactory to the Association 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.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and civil works 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 2.04. (a) Maharashtra undertakes to cause the Implementing Agencies to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit made available to it by the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Implementing Agencies to replace or repair such goods.

(b) Maharashtra shall ensure that all goods and services financed out of the proceeds of the Credit made available to it by the Borrower are used exclusively for the purposes of the Project.

Section 2.05. (a) Maharashtra shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) Maharashtra shall: (i) maintain or cause to be maintained records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) enable the Association's representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) furnish or cause to be furnished to the Association at regular intervals all such information as the Association shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditures of such proceeds and the goods and services financed out of such proceeds.

(c) Upon the award of any contract for goods, works or services to be financed out of the proceeds of the Credit, the

Association may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between Maharashtra and the Association, Maharashtra shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by Maharashtra and the Association of their respective obligations under the Project Agreement and the accomplishment of the purposes of the Credit.

(e) Maharashtra shall enable the Association's representatives to examine all plants, installations, sites, works, buildings, property, equipment and any relevant records and documents related to Maharashtra's obligations under this Agreement.

Section 2.06. Maharashtra shall duly perform all its obligations under the CIDCO and BMC Subsidiary Loan Agreements. Except as the Association shall otherwise agree, Maharashtra shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the CIDCO and BMC Subsidiary Loan Agreements or any provision thereof.

Section 2.07. (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 under the CIDCO and BMC Subsidiary Loan Agreements, 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 and under the CIDCO and BMC Subsidiary Loan Agreement.

Section 2.08. Maharashtra shall take all such action as shall be necessary to acquire, as and when needed all such land

rights in respect of land as shall be required for the construction and operation of the facilities under the Project, shall, upon request, furnish to the Association evidence satisfactory to the Association that such land and rights in respect of land are available for such purposes.

#### ARTICLE III

##### Management and Operations of the

##### Implementing Agencies

Section 3.01. Maharashtra shall cause the Implementing Agencies to carry on their operations and conduct their affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Maharashtra shall cause the Implementing Agencies at all times to operate and maintain their 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 administrative practices.

Section 3.03. Maharashtra shall cause the Implementing Agencies to take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Particular Covenants

Section 4.01. (a) Maharashtra shall cause its departments and other agencies and authorities responsible for carrying out the Project or any part thereof to: (i) maintain separate records and accounts adequate to reflect, in accordance with sound accounting principles and procedures consistently applied, its resources, expenditures and operations related to the Project; and (ii) furnish to the Association copies of their accounts and financial statements related to the Project for each fiscal year, certified as to their accuracy and authenticity by an independent

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auditor acceptable to the Association, as soon as available but in any case not later than nine months after the end of each such year.

(b) Maharashtra shall cause its departments and other agencies and authorities responsible for carrying out the Project or any part thereof to: (i) have their accounts and financial statements related to the Project 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 immediately following its finalization, 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 accounts and records, financial statements and the audit thereof as the Association shall from time to time reasonably request.

#### 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 Development Credit Agreement becomes effective.

Section 5.02. (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) a date 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 Maharashtra of this event.

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.

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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. Each 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.

For Maharashtra:

Secretary to the Government  
of Maharashtra  
Department of Housing and  
Special Assistance  
Mantralaya, Bombay

Cable address:

MANTRALAYA  
Bombay

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 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 Maha-

ashtra shall furnish to the Association 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 representatives thereunto duly authorized, 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/ W. David Hopper

Regional Vice President  
South Asia

STATE OF MAHARASHTRA

By /s/ S. P. Bagla

Authorized Representative

## SCHEDULE 1

### Procurement

#### A. International Competitive Bidding

Except as provided in Part C hereof, goods and works 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 August 1984 (the Guidelines).

#### B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, 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.

#### C. Other Procurement Procedures

1. Contracts for civil works, and for small packages of equipment estimated to cost the equivalent of \$200,000 each or less up to an aggregate equivalent of \$4,500,000, may be let on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association.

2. Contracts for small items estimated to cost the equivalent of \$100,000 each or less up to an aggregate equivalent of \$1,100,000 may be let through limited bidding procedures on the basis of evaluations and comparisons of bids invited from at least three qualified suppliers eligible under the Guidelines.

#### 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 all contracts for civil works and equipment estimated to cost the equivalent of \$800,000 and \$300,000 or more, respectively, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to all contracts for civil works estimated to cost the equivalent of more than \$500,000 but less than \$800,000, the provisions of sub-paragraphs (b), (c) and (d) of paragraph 2 of Appendix 1 to the Guidelines, and paragraph 4 thereto, shall apply.

(c) With respect to each contract not governed by the preceding paragraph, the provisions set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(d) The provisions of the preceding sub-paragraphs (a), (b) and (c) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditures.

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

## SCHEDULE 2

### Implementation Procedures

1. For the purposes of carrying out the Project, Maharashtra shall designate BMRDA as the principal coordinating agency.
2. Selection of sites for the land and infrastructure service program and the slum upgrading program to be carried out under Parts A and B of the Project and their plans, layouts, designs and standards shall be satisfactory to the Association.
3. Maharashtra will aim to implement about 10% of the slum upgrading to be carried out under Part B of the Project with households located on privately owned land.
4. The scope and time frame in respect of a program of municipal services and improvements in the development control and building regulations to be provided or carried out under Part C of the Project shall be implemented only after the recommendations of the consultants for such program have been jointly reviewed and agreed upon among the Borrower, Maharashtra and the Association.
5. Maharashtra shall cause to be established in BMRDA a revolving fund which shall be credited with 45% of the principal amounts repaid to Maharashtra by the Implementing Agencies in repayment of amounts on-lent to them by Maharashtra to implement the Project, said funds being treated as non-refundable loans. Said revolving fund shall be used for financing similar programs in future.
6. Except as the Association may otherwise agree, Maharashtra shall cause MHADA to: (i) limit new investments in housing schemes (excluding repairs, reconstruction and slum improvements) outside the Project to be carried out through Bombay Housing and Area Development Board to Rs 100,000,000 per year during the peak period of the implementation of the Project, and the layouts, standards and superstructure provided in any new schemes undertaken by said Board outside the Project shall be based substantially on the building and development control regulations prescribed for land infrastructure servicing schemes under the Project; and (ii) design housing schemes other than those included in the Project (excluding schemes executed on deposit) to:

- (a) minimize the average cost per household for land development and housing construction; and
  - (b) maximize the percentage of households with incomes at or below the absolute poverty level in Bombay (estimated to be about Rs 880 per household per month in 1983) in the range of 55% to 75% of all beneficiary households.
7. Maharashtra shall cause CIDCO and MHADA to aim to achieve the following performance targets by fiscal year 1987/88:
- (a) design, supervision of construction and management costs, including cost of support services (administration, finance and accounts) but exclusive of estate management and interest charges, not to exceed 12% of annual construction costs;
  - (b) accounts receivable for hire purchase and rental properties not to exceed an average of 3 months billing; and
  - (c) estate management costs not to exceed 4% of rentals and installments receivable.
8. In respect of land infrastructure servicing to be carried out under Part A of the Project, Maharashtra will aim to recover fully all chargeable costs, and target beneficiary selection criteria, and terms and conditions of sales and leases for residential, commercial, small industry and other plots, and for home improvement loans shall be as agreed upon among the Borrower, Maharashtra and the Association.
9. In respect of slum upgrading to be carried out under Part B of the Project, Maharashtra will aim to recover all chargeable costs and terms and conditions of leases and that of home improvement loans, and user charges for maintenance and utilities, shall be as agreed upon among the Borrower, Maharashtra and the Association.
10. On-lending terms to beneficiaries for serviced plots, housing loans and slum upgrading under Parts A and B of the Project shall be satisfactory to the Association, which shall include, inter alia, that interest shall be charged at not less than 12% per annum.

11. Maharashtra shall cause BMRDA to:

- (i) prepare and furnish to the Association not later than December 31 each year an annual report on the progress of the Affordable Low Income Shelter Program (ALIS) for that year together with proposals for actions required to be taken to meet the targets for said Program for the following year; and
- (ii) review every six months the availability of materials and financial requirements.

12. Maharashtra shall cause the Implementing Agencies to provide each year sufficient budgetary provisions for adequate services and maintenance in areas benefited by the Project.

