



International Environmental
Law Research Centre

GUJARAT PROJECT AGREEMENT

(NARMADA RIVER DEVELOPMENT (GUJARAT) WATER DELIVERY AND DRAINAGE PROJECT)

**between International Development Association and State of Gujarat,
10 May 1985, Credit Number 1553 IN**

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Whereas (A) by the Development Credit Agreement (Narmada River Development (Gujarat) Water Delivery and Drainage Project) 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 forty nine million five hundred thousand Special Drawing Rights (SDR 149,500,000), on the terms and conditions set forth in the Development Credit Agreement (Narmada River Development (Gujarat) Water Delivery and Drainage Project), but only on condition that Gujarat agrees to undertake such obligations toward the Association as are hereinafter set forth;

Whereas Gujarat, in consideration of the Association's entering into the Development Credit Agreement (Narmada River Development (Gujarat) Water Delivery and Drainage Project) 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 (Narmada River Development (Gujarat) Water Delivery and Drainage Project) and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II: EXECUTION OF THE PROJECT

Section 2.01. Gujarat declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement (Narmada River Development (Gujarat) Water Delivery and Drainage Project), and, to this end, shall carry out the Project described in said Schedule with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 2.02. Without limitation to the provisions of Section 2.01 of this Agreement, Gujarat shall:

- (a) carry out the planning, design, construction, operation and maintenance of the irrigation and drainage systems under the Project, including allocation of irrigation water and services to farmers, all in accordance with standards and criteria satisfactory to the Association;
- (b) by December 31, 1987, prepare and furnish to the Association, for its approval, an operation and maintenance plan for the irrigation and drainage systems under the Sardar Sarovar Project, and, thereafter, adopt and implement such plan as so approved;
- (c) provide, promptly as needed, the funds and staff required to carry out the operation and maintenance plan referred to in (b) above;
- (d) for purposes of carrying out Part B of the project, not later than June 30, 1985, furnish to the Association, for its approval, a suitable training program, including the respective syllabi, schedules and estimated funds, and, thereafter, carry out such training program as so approved; and
- (e) take all such action as shall be necessary, to maintain, at all times, an adequate supply of materials critically needed for carrying out the construction works under the Project, including cement and steel.

Section 2.03. (a) In order to assist Gujarat in carrying out Part C of the Project, Gujarat shall employ consultants and/or experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association, such consultants and/or experts 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.

(b) For purposes of paragraph (a) of this Section, Gujarat shall, by April 1, 1985, prepare and furnish to the Association, for its approval, a list of consultants and/or experts in the following areas, *inter alia*, concrete mixing, handling and placement; large concrete lined canals; earth embankments; gates and hoists; hydraulic transients; communication systems; sensing, control and processor design for canals; canal operations and maintenance; and electrical and hydraulic machinery.

Section 2.04. Gujarat shall, by April 1, 1985, establish and, thereafter, maintain a Board of Consultants comprising of experts whose qualifications and experiences, and terms and conditions of employment shall be satisfactory to the Association, such Board of Consultant to be assigned, at all times, with such functions and responsibilities as shall be required to enable it to assist Gujarat in reviewing the technical designs, criteria and standards applied in the carrying out of Part A of the Project.

Section 2.05. 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 the Schedule to this Agreement.

Section 2.06. (a) Gujarat undertakes 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 Gujarat to replace or repair such goods.

(b) Gujarat shall cause all goods and services financed out of the proceeds of the Credit made available to it by the Borrower to be used exclusively for the purposes of the Project.

Section 2.07. Gujarat shall take all such action as shall be necessary to maintain, at all times, the Narmada Control Authority and the Narmada Review Committee, each with such powers, functions, responsibilities, and membership as provided for in the Decision, and staffing and funds as shall be required to enable each of them to accomplish its purposes, and shall not take, or cause to be taken, any action which shall prevent or interfere with such purposes.

Section 2.08. Gujarat shall maintain the Narmada Development Department, headed by a qualified and experienced officer, such Department to be assigned, at all times, with such powers, functions, responsibilities, organization, staffing and funds as shall be required to enable it to adequately undertake its responsibilities for the overall Implementation and management of the Sardar Sarovar Project, including:

(a) the operation and maintenance of the irrigation, municipal, industrial and domestic water facilities under Part B of the Sardar Sarovar Project, which Project is described in Schedule 4 to the Development Credit Agreement (Gujarat) Sardar Sarovar Dam and Power Project;

(b) the operation and maintenance of Parts A, D, E, H and I of the Project described in Schedule 2 to the Development Credit Agreement (Gujarat) Sardar Sarovar Dam and Power Project;

(c) pursuant to the provisions of the Decision, the supply and distribution of irrigation, municipal, industrial and domestic water resulting from the Sardar Sarovar Project, which Project is described in Schedule 4 to the Development Credit Agreement (Gujarat) Sardar Sarovar Dam and Power Project; and

(d) through an appropriate agency to be established by December 31, 1988: (i) the operation and maintenance of Parts B, C, F, G, and J of the Project described in Schedule 2 to the Development Credit Agreement (Gujarat) Sardar Sarovar Dam and Power Project; and (ii) pursuant to the provisions of the decision, the supply of hydroelectric power to Gujarat, Madhya Pradesh and Maharashtra resulting from the Project described in Schedule 2 to the Development Credit Agreement (Gujarat) Sardar Sarovar Dam and Power Project.

Section 2.09. Gujarat shall maintain:

(a) the Narmada High Power Committee, at all times, with such powers, functions, membership and responsibilities as shall be required to enable such Committee to adequately undertake its responsibilities for coordination and timely interaction among the various departments and agencies of Gujarat responsible for the carrying out of the Project or a Part thereof;

(b) the Narmada Planning Group, at all times, with such powers, functions, responsibilities, membership, staffing, organization and funds as shall be required to enable it to adequately undertake its responsibilities for carrying out planning studies of the Narmada River Development Program, including those required to develop a plan for the operation and maintenance of the hydroelectric power, and water delivery and drainage facilities under the Sardar Sarovar Project.

Section 2.10. For purposes of enabling the Narmada Development Department to adequately implement and manage the Sardar Sarovar Project, Gujarat shall:

(a) maintain within the Narmada Development Department the Central Procurement Unit, headed by a qualified and experienced officer and assigned, at all times, with such powers, functions, responsibilities, staffing, organization and funds as shall be required to enable it to adequately undertake its responsibilities for the procurement of all goods and services required for the implementation of the Sardar Sarovar Project; and

(b) by December 31, 1985, establish and, thereafter, maintain within the Narmada Development Department, a cell responsible for the monitoring and evaluation of the various activities under the Sardar Sarovar Project, such cell to be headed by a qualified and experienced officer and assigned, at all times, with such powers, functions, responsibilities, staffing, organization and funds as shall be required to enable it to accomplish its purposes.

Section 2.11. (a) Gujarat shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) Gujarat shall: (i) maintain 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 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 by Gujarat 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 Gujarat and the Association, Gujarat 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 Gujarat and the Association of their respective obligations under the Gujarat Project Agreement, and the accomplishment of the purposes of the Credit.

Section 2.12. Without limitation to the generality of paragraph (b) of Section 2.11 of this Agreement, Gujarat shall furnish to the Association semi-annual and annual reports, of such scope and in such detail as the Association shall reasonably request, on the progress of the Project, such reports to be furnished within three months after the end of each reporting period.

Section 2.13. (a) Gujarat 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) Gujarat 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 Gujarat of its obligations under this Agreement.

Section 2.14. Gujarat shall take or cause to be taken all such action as shall be necessary to acquire all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Association, promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

Section 2.15. Gujarat shall, at all times, cause the water distribution systems under the Project to be efficiently maintained, as well as the vehicles and equipment provided under the Project efficiently operated and maintained, and all necessary repairs and renewals thereof to be made, all in accordance with sound engineering and financial practices.

Section 2.16. Gujarat shall, within its State boundaries take all such measures as shall be necessary to minimize the risk of malaria, filaria, schistosomiasis, and other water-related diseases that may result from the implementation of the Project.

ARTICLE III: FINANCIAL COVENANTS

Section 3.01. Gujarat shall cause its departments and other agencies and authorities responsible for carrying out the Project or any part thereof to:

- (a) 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
- (b) 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 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.

Section 3.02. Gujarat shall cause its departments and other agencies and authorities responsible for carrying out the Project or any part thereof to:

- (a) have their accounts and financial statements related to such Parts of the Project for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (b) 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
- (c) furnish, or cause to be furnished, 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.

Section 3.03. (a) Gujarat shall, by September 30, 1987, prepare and furnish to the Association, for its review and comments, a study to determine in the Sardar Sarovar Project command area the level of irrigation water charges required to recover full operation and maintenance costs, and a reasonable portion of the capital costs, and, thereafter, taking into account the Association's comments, if any, implement the results of such study in those portions of the Sardar Sarovar Project command area where irrigation water is being delivered, by establishing and, thereafter, maintaining, at all times, the irrigation water charges at such levels as shall be required to cover full operation and maintenance, and a reasonable portion of capital costs. For purposes of this paragraph, the farmers' capacity to pay may be taken into account.

(b) Gujarat shall establish and, thereafter maintain, at all times, the municipal, domestic and industrial water charges in those areas served by the Sardar Sarovar Project at such levels as shall be required, on average, to cover full operation, maintenance and capital costs.

Section 3.04. Without limitation to the provisions of Section 3.01 of this Agreement, Gujarat shall, commencing on April 1, 1989, establish and, thereafter, maintain a system of separate accounts within the Narmada Development Department for purposes of recording:

- (a) operation and maintenance costs of the water delivery and drainage project components of the Sardar Sarovar Project; and
- (b) the water charges collected pursuant to Section 3.03 of this Agreement, and such additional funding, if any, as shall be provided, from time to time, to accomplish its purposes.

Section 3.05. Gujarat shall take all such action as shall be necessary, including the provision of funds therefor, to complete, in a timely manner, the irrigation and drainage systems and other water supply facilities under Part B of the Sardar Sarovar Project located within Gujarat's State boundaries, all in accordance with standards and criteria satisfactory to the Association.

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 (Narmada River Development (Gujarat) Water Delivery and Drainage Project) becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Gujarat thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement (Narmada River Development (Gujarat) Water Delivery and Drainage Project) shall terminate in accordance with its terms; or

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

(b) If the aforementioned 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 Gujarat 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: 440098 (ITT) 248423 (RCA) or 64145 (WUI)

For Gujarat: Chief Secretary, Government of Gujarat, Gandhinagar, Gujarat 382010, India. Cable address: CHIEFSEC, Gandhinagar, India. Telex: 285-SCGJ-IN.

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 Gujarat may be taken or executed by the Chief Secretary or such other person or persons as Gujarat shall designate in writing, and Gujarat 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 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.

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