



International Environmental
Law Research Centre

MADHYA PRADESH PROJECT AGREEMENT

(NARMADA RIVER DEVELOPMENT (GUJARAT) SARDAR SAROVAR DAM AND POWER PROJECT)

**among International Development Association and International Bank for Reconstruction
and Development and State of Madhya Pradesh, 10 May 1985,
Credit Number 1552 IN Loan Number 2497 IN**

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Whereas (A) by the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power 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 ninety nine million seven hundred thousand Special Drawing Rights (SDR 99,700,000), on the terms and conditions set forth in the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project), but only on condition that Madhya Pradesh agrees to undertake such obligations toward the Association as are hereinafter set forth;

(B) by the Loan Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project) 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 two hundred million dollars (\$200,000,000), on the terms and conditions set forth in the Loan Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project), but only on condition that Madhya Pradesh agrees to undertake such obligations toward the Bank as are hereinafter set forth; and

Whereas Madhya Pradesh, in consideration of the Association's entering into the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project) and the Bank's entering into the Loan Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power 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: (a) the several terms defined in the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project), in the Loan Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project) and in the General Conditions (as so defined) have the respective meanings therein set forth; (b) reference to the Association shall also be deemed as reference to the Bank; and (c) reference to the Credit shall also be deemed as reference to the Loan.

ARTICLE II: EXECUTION OF THE PROJECT

Section 2.01. Madhya Pradesh declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project), and, to this end, shall:

(a) provide, or cause to be provided, to Gujarat, promptly as needed and pursuant to the cost-sharing provisions of the Decision, the funds, facilities, services and other resources required to enable Gujarat to carry out Parts A through O (i) of the Project described in said Schedule (to the extent that such Parts of the Project or components thereof are located within Gujarat's State boundaries) with due diligence and efficiency, and shall not take, or permit to be taken, any action which would prevent or interfere with such performance;

(b) carry out Part L (to the extent that such Part of the Project or components thereof are located within Madhya Pradesh's State boundaries), and Part O (ii) of the Project described in said Schedule, all with due diligence and efficiency and in conformity with appropriate administrative, engineering, monitoring and evaluation, financial, and resettlement and rehabilitation practices, and shall provide, promptly as needed, the funds, facilities, staffing, services and other resources required for the purposes;

(c) carry out in coordination with Gujarat, Maharashtra and NCA, the procurement, construction, installation, operation and maintenance of such portions of the hydrometeorological network under Part N of the Project (to be located within Madhya Pradesh's State boundaries), with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, staffing, services and other resources required for the purposes;

(d) without limitation to the provisions of paragraph (c) of this Section, provide, or cause to be provided, to NCA, promptly as needed and pursuant to the cost-sharing provisions of the Decision, the funds, facilities, services and other resources required to enable NCA to carry out its responsibilities provided for in the Decision, *inter alia*, the overall operation and maintenance of the hydrometeorological network under Part N of the Project, and shall not take, or permit to be taken, any action which would prevent or interfere with such responsibilities; and

(e) without limitation to the provisions of paragraph (d) of this Section, provide, or cause to be provided, to NCA, promptly as needed and pursuant to the cost-sharing provisions of the Decision, the funds, facilities, services and other resources required to enable NCA to assist the Borrower in carrying out Part P of the Project with due diligence and efficiency and shall not take, or permit to be taken, any action which would prevent or interfere with such performance.

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

(a) carry out the planning, design and construction of the works under Part N of the Project (located within Madhya Pradesh's State boundaries), and the installation of the equipment under Part N of the Project (located within Madhya Pradesh's State boundaries) all in accordance with standards and criteria acceptable to the Association;

(b) without limitation to the provisions of paragraph (a) of this Section, by December 31, 1986, in coordination with Gujarat, Maharashtra and NCA, prepare and furnish to the Association, for its approval, a final system design for the hydrometeorological network under Part N of the Project, including equipment specifications and construction schedules, and, thereafter, carry out such Part of the Project pursuant to such system design and construction schedule, as so approved;

(c) by December 31, 1987, in coordination with Gujarat, Maharashtra and NCA, prepare and furnish to the Association, for its approval, an operation and maintenance plan for the hydrometeorological network under Part N of the Project, which plan shall include the provision of funds, staff and other resources and, thereafter, adopt and implement such plan, as so approved; and

(d) by December 31, 1991 or such other date as may be agreed upon between the Association and Madhya Pradesh, complete within Madhya Pradesh's State boundaries, the construction of the transmission lines and substations required for the full integration of the power-related facilities under the Project with the Borrower's western region power grid.

Section 2.03. In order to assist Madhya Pradesh in carrying out Part N of the Project (to the extent that such Part of the project or portions thereof are located within Madhya Pradesh's State boundaries), Madhya Pradesh shall employ, in coordination with Gujarat and Maharashtra, 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.

Section 2.04. Except as the Association shall otherwise agree, procurement of the goods and civil works required for Part N of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Gujarat Project Agreement.

Section 2.05. (a) Madhya Pradesh 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 Madhya Pradesh to replace or repair such goods.

(b) Madhya Pradesh 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 2.06. Madhya Pradesh shall take all such action as shall be necessary to maintain, at all times, the Narmada Control Authority, the Sardar Sarovar Construction Advisory Committee 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 2.07. Madhya Pradesh shall adopt and, thereafter, implement within its State boundaries, a resettlement and rehabilitation plan for the Oustees, satisfactory to the Association, which plan shall include the principles and objectives set forth or referred to in Schedule 3 to the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project) and the institutional arrangements provided for in the Schedule to this Agreement.

Section 2.08. (a) Madhya Pradesh shall, in collaboration with Gujarat and Maharashtra, prepare and furnish to the Association for its approval:

(i) by December 31, 1985, a work plan for the environmental effects derived and to be derived from the implementation of the Sardar Sarovar Project, which work plan shall include (A) suitable training programs for the Project's staff of Gujarat, Madhya Pradesh and Maharashtra, including plans, schedules, syllabi and provision of funds, and (B) studies and implementation schedules therefore, for fish and fisheries, forest and wildlife, and public health aspects;

(ii) by June 30, 1989, a suitable training program of operation and maintenance of the facilities under the Sardar Sarovar Project, including plans, schedules, syllabi and provision of funds; and

(iii) by December 31, 1985, a suitable training program on resettlement and rehabilitation of the Oustees for the Project's staff of Gujarat, Madhya Pradesh and Maharashtra, including plans, schedules, syllabi and provision of funds.

(b) Madhya Pradesh shall, in coordination with Gujarat and Maharashtra, implement the work plan and training programs, referred to in paragraph (a) above, as so approved.

Section 2.09. Madhya Pradesh shall:

(a) furnish to the Association, promptly upon their preparation, the plans, specifications, reports, and construction and procurement schedules for Parts N and O (ii) of the Project (located within Madhya Pradesh's State boundaries), and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request;

(b) maintain records and procedures adequate to record and monitor the progress of Parts L, N and O (ii) of the Project (located within Madhya Pradesh's State boundaries) (including their cost and the benefits to be derived from them), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in such Parts of the Project;

(c) enable the Association's representatives to visit the facilities and sites included in such Parts of the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents;

(d) furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning such Parts of the Project, their cost and, where appropriate, the benefits to be derived from them, the expenditures of the proceeds of the Credit and the goods and services financed out of such proceeds;

(e) Upon the award by Madhya Pradesh 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; and

(f) 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 pursuant to the provisions of Section 2.12 (d) of the Gujarat Project Agreement, Madhya Pradesh 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 Parts L, N and O (ii) of the Project, (located within Madhya Pradesh's State boundaries) their cost and the benefits derived and to be derived from them, the performance by Madhya Pradesh and the Association of their respective obligations under the Madhya Pradesh Project Agreement, the performance by the Borrower in carrying out Part P of the Project, and the accomplishment of the purposes of the Credit.

Section 2.10. Without limitation to the generality of paragraph (d) of Section 2.09 of this Agreement, Madhya Pradesh 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 Parts L, N and O (ii) of the Project, (located within Madhya Pradesh's State boundaries), such reports to be furnished within three months after the end of each reporting period.

Section 2.11. (a) Madhya Pradesh 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) Madhya Pradesh 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 Madhya Pradesh of its obligations under this Agreement.

Section 2.12. Madhya Pradesh shall take, or cause to be taken, all such action as shall be necessary to acquire, within its State boundaries, 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 2.13. Madhya Pradesh shall, at all times, cause the facilities provided 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 2.14. Madhya Pradesh shall, within its State boundaries, take all such measures as shall be considered necessary to minimize the risk of malaria, filaria, schistosomiasis, and other water-related diseases that may result from the implementation of the Project.

Section 2.15. Except as the Association shall otherwise agree, Madhya Pradesh shall, by a date not later than six months before the commissioning of the first turbine-generator unit under either Part C or F of the Project, enter into a bulk supply contract, satisfactory to the Association, with appropriate electric utility organizations for the sale of electricity generated from the facilities installed under the project; such contract shall include a sales price or sales prices, such that the present value of the annual revenues over the expected life of the power facilities, discounted at an appropriate rate shall be greater than the sum of the present value of Madhya Pradesh's share of annual operation and maintenance cost over the expected life of the facilities, similarly discounted, and of Madhya Pradesh's share of annual investment costs of the said facilities similarly discounted. Such prices shall be subject to review and, if required, revised every three years from the date of the said contract.

For purposes of this Section, the term 'appropriate rate' means a financial reference rate or rates which will reflect an acceptable real rate of return to capital and expected future inflation.

ARTICLE III: FINANCIAL COVENANTS

Section 3.01. Madhya Pradesh shall cause its departments and other agencies and authorities responsible for carrying out Parts L, N and O (ii) of 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 such Parts of the Project; and

(b) furnish to the Association copies of their accounts and financial statements related to such Parts of 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. Madhya Pradesh shall cause its departments and other agencies and authorities responsible for carrying out Parts L, N and O (ii) of 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.

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) Sardar Sarovar Dam and Power Project) and the Loan Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project) become effective.

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

(i) the date on which the Development Credit Agreement (Narmada River Development (Gujarat) Sardar Sarovar Power and Dam Project) and the Loan Agreement (Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project) shall terminate in accordance with their respective terms; or

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

(b) If the aforementioned Development Credit Agreement and Loan Agreement terminate in accordance with their terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Madhya 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 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, NW, Washington, DC 20433, United States of America. Cable address: INDEVAS Washington, DC.

For Madhya Pradesh: Chief Secretary, Government of Madhya Pradesh, Vallabh Bhavan, Bhopal, India 462006. Cable address: CHIEFSEC Bhopal, India.

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 Madhya Pradesh may be taken or executed by a Secretary to the Government of Madhya Pradesh or such other person or persons as Madhya Pradesh shall designate in writing, and Madhya 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 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.

SCHEDULE: INSTITUTIONAL ARRANGEMENTS

Madhya Pradesh shall:

(a) maintain the Land Acquisition and Rehabilitation Cell, within the Narmada Planning Agency, responsible for planning, coordinating and implementing the resettlement and rehabilitation of the Oustees, as the case may be, within Madhya Pradesh's State boundaries pursuant to the provisions of the Decision and the objectives and principles set forth or referred to in Schedule 3 to the Development Credit Agreement (Gujarat) Sardar Sarovar Dam and Power Project, such Cell to be headed by a qualified and experienced officer and assigned, at all times, with such powers, functions, responsibilities, staffing and funds as shall be required to enable it to accomplish its purposes;

(b) commencing on March 31, 1985 and thereafter until March 31, 1995, employ suitable research institutions, satisfactory to the Association, for purposes of monitoring and evaluating the implementation of the Plan for Resettlement and Rehabilitation of the Oustees within Madhya Pradesh's State boundaries, such research institutions to prepare and furnish to the Narmada Planning Agency semiannual and annual reports of their findings and recommendations. Madhya Pradesh undertakes to take into account such findings and recommendations in the implementation of the Plan for Resettlement and Rehabilitation of the Oustees;

(c) commencing on September 30, 1985 and thereafter until March 31, 1995, prepare and furnish to the Borrower and the Association semiannual and annual reports on the implementation of the Plan for Resettlement and Rehabilitation of the Oustees, which reports shall include those of the research institutions provided for in paragraph (b) of this Schedule. Such reports shall be furnished within three months after the end of each reporting period; and

(d) by March 31, 1985, establish and, thereafter, maintain committees for purposes of advising the Land Acquisition and Rehabilitation Cell with regard to the implementation of the Plan for Resettlement and Rehabilitation of the Oustees, such committees to be headed by qualified and experienced officers and include in its membership representatives of Madhya Pradesh's social science research institutions, Oustees interest groups, including non-governmental social workers and welfare organizations from Madhya Pradesh, and of the Oustees relocated within Madhya Pradesh's State boundaries. Such committees shall be assigned, at all times, with such functions» responsibilities, and funds as shall be required to enable them to accomplish their purposes.

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