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CREDIT NUMBER 5369-IN

# Project Agreement

(Uttarakhand Decentralized Watershed Development II Project  
GRAMYA II)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTARAKHAND

Dated *May 30,* 2014

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**PROJECT AGREEMENT**

Agreement dated May 30, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the STATE OF UTTARAKHAND (“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 in accordance with the provisions of Article IV of the 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 — TERMINATION**

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity’s Representative is the Chief Secretary of Uttarakhand.

4.02. The Association's Address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Facsimile:

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Secretariat  
4 Subhash Road  
Dehradun  
Uttarakhand  
PIN 248 001

Facsimile:

+91 (135) 271-2001

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

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

By



Authorized Representative

Name: Michael Haney

Title: Operations Adviser

STATE OF UTTARAKHAND

By



Authorized Representative

Name: M. H. Khan

Title: Principal Secretary &  
Chief Project Director,  
Watershed Management Directorate

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Project Implementing Entity shall:
  - (a) establish and thereafter maintain throughout the period of implementation of the Project, a state-level steering committee: (i) headed by the Forest and Rural Development Commissioner; and (ii) provided with membership, powers, functions and competencies acceptable to the Association; as shall be required to provide overall guidance and policy support and facilitate inter-departmental coordination for the implementation of the Project;
  - (b) designate and thereafter maintain throughout the period of implementation of the Project, WMD (under the Watershed Department) as the entity responsible for the overall implementation of the Project: (i) headed by a chief project director assisted by regional project directors and competent staff, all with experience and qualification, in numbers and under terms of reference acceptable to the Association; and (ii) organized by units with financial resources, functions and competencies, acceptable to the Association; as shall be required to, *inter alia*, carry out day-to-day management of the activities under the Project, including overall budgeting, disbursement, auditing, procurement, financial management, safeguards, monitoring, reporting and evaluation activities; and
  - (c) for each district involved in the Project, designate and thereafter maintain throughout the period of implementation of the Project, a multi-disciplinary team: (i) headed by a deputy project director assisted by competent staff, all with experience and qualification, in numbers and under terms of reference acceptable to the Association; and (ii) provided with powers, functions and competencies acceptable to the Association; as shall be required to, *inter alia*, approve and supervise the implementation of the GPWDPs.
2. The Project Implementing Entity shall take necessary and appropriate actions to ensure that sufficient annual allocations are included in the State of Uttarakhand's budget to cover the Project Implementing Entity's counterpart



contribution to the costs of the Project.

3. The Project Implementing Entity shall:

- (a) hire by no later than six (6) months after the Effective Date, an internal auditor, under terms of reference acceptable to the Association, who shall be responsible for reviewing internal control and contract management aspects of the Project; and
- (b) establish by no later than three (3) month after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, a computerized accounting system, in a manner and substance acceptable to the Association.

**B. Project Documents**

The Project Implementing Entity shall:

- (a) implement the Project in accordance with the Operations Manual, ESMF and each environmental management plan and/or social management plan prepared thereunder, and TAP; provided however that in the event of conflict between the provisions of said manual, framework, and plans, on the one hand, and those of this Agreement and/or the Financing Agreement, on the other hand, the provisions of this Agreement and/or the Financing Agreement shall prevail; and
- (b) refrain from amending, suspending, waiving, and/or voiding any provision of the Operations Manual, ESMF or any environmental management plan or social management plan prepared thereunder, or TAP, whether in whole or in part, without the prior written concurrence of the Association.

**C. Anti-Corruption**

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

**D. Subprojects**

- 1. The Project Implementing Entity shall select Subprojects for financing in accordance with the criteria set forth in the Operations Manual and the ESMF and acceptable to the Association, and shall thereafter make each Subproject Financing available under a Subproject Financing Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include, *inter alia*:

- (a) the Beneficiary's obligations to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association; (ii) provide in cash or in kind contributions in a timely manner to cover the cost of the Subproject; (iii) procure the goods, works and services to be financed out of the Subproject Financing in accordance with the provisions of this Agreement; (iv) maintain policies and procedures to enable to monitor the progress of the Subproject and the achievement of its objectives; (v) abide by, and comply with, the terms and conditions of the Operational Manual, ESMF and each environmental management plan and/or social management plan prepared thereunder and TAP, as applicable; and (vi) to accept physical or documentary inspection by the Project Implementing Entity and/or the Association, in relation to the carrying out of the Subproject; and
- (b) the Project Implementing Entity's right to suspend or terminate the right of the Beneficiary to use the proceeds of the Subproject Financing or obtain a refund of all or any part of the amount of the Subproject Financing then withdrawn, upon the Beneficiary's failure to perform its obligations under the Subproject Financing Agreement.

**E. Safeguards**

1. The Project Implementing Entity shall:
  - (a) carry out the Project in accordance/compliance with the ESMF, TAP and the relevant instruments (to be) prepared pursuant to paragraph 2 below, and pursuant to the objectives, policies, procedures and other provisions set forth therein, in a manner and substance satisfactory to the Association; and
  - (b) refrain from taking any action, or consenting to an action to be taken, which would prevent or interfere with the implementation of the ESMF and TAP, including any amendment, suspension, waiver, and/or avoidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Association.
2. Without limitation to the provisions of Section E.1. of this Schedule, and prior to the carrying out of any given Subproject, the Project Implementing Entity shall:
  - (a) carry out and/or cause to be carried out, an environmental/social screening and/or an environmental/social assessment (as the case may be) of the pertinent activities to be financed under the Subproject; (b) approve, and/or cause the selected Beneficiary to approve an environmental/social management plan,

acceptable to the Bank, for each said activity all in accordance with the provisions of the ESMF and/or TAP (as the case may be); and (c) immediately after such approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental/social management plan in accordance with its terms.

3. The Project Implementing Entity shall, throughout the period of implementation of the Project maintain monitoring and evaluation protocols and record keeping procedures acceptable to the Association and adequate to enable the Project Implementing Entity and the Association to supervise and assess, on an on-going basis, the implementation of/compliance with the ESMF and each environmental management plan and/or social management plan prepared thereunder and TAP, as well as the achievement of the objectives thereof.
4. In the event of any conflict between the provisions of the ESMF, any environmental management plan or social management plan prepared thereunder, and TAP, on the one hand, and the provisions of this Agreement and/or the Financing Agreement, on the other hand, the provisions of this Agreement and/or the Financing Agreement shall prevail.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. 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 to the Association. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient and the Association not later than forty-five (45) days after the end of the period covered by such report.
2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 4.08 (c) of the General Conditions; and (b) furnish it to the Recipient and the Association not later than six (6) months after the Closing Date.

### **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 provision of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Recipient and the Association, not later than forty-five (45) days after the end of each calendar quarter, an interim financial report for the Project covering the quarter in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have the Project 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**

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.