

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7924-IN
CREDIT NUMBER 4755-IN

Project Agreement

(Capacity Building for Industrial Pollution Management Project)

among

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ANDHRA PRADESH

Dated July 22, 2010

Public Disclosure Authorized

PROJECT AGREEMENT

AGREEMENT dated July 22, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the STATE OF ANDHRA PRADESH (“Project State”) (“Project Agreement”).

By a loan agreement of even date herewith between India (“Borrower”) and the Bank (“Loan Agreement”), the Bank is agreeing to make available to the Borrower an aggregate principal amount of twenty five million two hundred ten thousand Dollars (\$25,210,000) (“Loan”) on the terms and conditions set forth in the Loan Agreement, and by a financing agreement of even date herewith between the Borrower and the Association (“Financing Agreement”), the Association is agreeing to make available to the Borrower an aggregate principal amount of twenty-five million, seven hundred thousand Special Drawing Rights (SDR 25,700,000) (“Credit”), on the terms and conditions set forth in the Financing Agreement, but only on condition that the Project State agrees to undertake such obligations toward the Bank and the Association as are set forth in the Loan Agreement and Financing Agreement, respectively, and in this Agreement.

The Project will be carried out in part by the Project State with the Borrower’s assistance and, as part of such assistance, the Borrower will make available to the Project State part of the proceeds of the Loan and Credit, as provided in the Loan Agreement and Financing Agreement, respectively.

The Project State, in consideration of the Bank’s entering into the Loan Agreement with the Borrower, and the Association’s entering into the Financing Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement.

The parties hereto hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) (“IBRD General Conditions”) and the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) (“IDA General Conditions”) 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 Loan Agreement, the Financing Agreement, the IBRD General Conditions or the IDA General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project State declares its commitment to the objectives of the Project. To this end, in accordance with the provisions of Article V of the IBRD General Conditions and of Article IV of the IDA General Conditions, the Project State shall carry out Parts 1.b, 1.c, 2.a, and 3 of the Project and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank, the Association and the Project States shall otherwise agree, the Project State shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Representative of the State of Andhra Pradesh is its Chief Secretary.

- 3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391

- 3.03. The Address of the State of Andhra Pradesh is:

Chief Secretary, Government of Andhra Pradesh
Andhra Pradesh Secretariat
Hyderabad

Facsimile:

040-2345-3700

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zagha
Authorized Representative

STATE OF ANDHRA PRADESH

By /s/ B.S.S. Prasad
Authorized Representative

SCHEDULE**Execution of the Project State's Respective Part of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Project State shall:
 - (a) maintain throughout the period of Project implementation, a State Project Steering Committee ("Steering Committee"), under the chairmanship of the Secretary, Department of Environment;
 - (b) establish and maintain throughout the period of Project implementation, a Project Implementation Unit at its state pollution control board, which shall have the responsibility for day to day project implementation and coordination with other stakeholder agencies and serve as Secretariat for the Steering Committee;
2. The members of the Steering Committee shall include representatives from the Andhra Pradesh Departments of Finance, Industry, and Municipal Administration, Andhra Pradesh Industrial Infrastructure Corporation, Andhra Pradesh Pollution Control Board, the Hyderabad Metropolitan Development Authority district administrations of the identified sites for remediation, urban local bodies, industry associations, and academia.
3. The Project Implementation Unit shall have management and professional staff to ensure the timely implementation of Project activities and monitoring of results, including a state project director, two technical staff, a procurement specialist, a communication specialist, a social and environment specialist, and a monitoring and evaluation specialist.

B. Anti-Corruption

The Project State shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, which is included in the Project Operational Manual, and the Governance and Accountability Action Plan.

C. Safeguards

The Project State shall carry out its Respective Part of the Project in accordance with the Environmental Management Plan and the Social Management Plan,

including the provisions on resettlement and income restoration support, for the respective Project sites.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project State shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08(b) of the IBRD General Conditions and Section 4.08(b) of the IDA General Conditions and on the basis of the indicators agreed with the Bank and the Association. Each such Project Report shall cover the period of one (1) quarter of each Fiscal Year, and shall be furnished to the Borrower not later than four (4) weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank and the Association of the overall Project Report.
2. The Project State shall provide to the Borrower for incorporation in the report referred to in Section 5.08(c) of the IBRD General Conditions and in Section 4.08(c) of the IDA General Conditions all such information as the Borrower, the Bank or the Association shall reasonably request for the purposes of such Sections.

B. Financial Management, Financial Reports and Audits

The Project State shall:

- (a) maintain a financial management system, including records and accounts, and prepare quarterly unaudited financial statements in accordance with consistently applied accounting standards acceptable to the Bank and the Association, both in a manner adequate to reflect the operations, resources and expenditures related to its Respective Part of the Project;
- (b) furnish to the Borrower no later than thirty (30) days after the end of each quarter such financial statements;
- (c) furnish to the Borrower such other information concerning such financial statements as the Borrower, the Bank or the Association shall reasonably request from time to time;
- (d) maintain throughout the period of Project implementation in the Project Implementation Unit at least two (2) finance professionals with qualifications acceptable to the Bank and the Association; and

- (e) have the respective Financial Statements for each Fiscal Year audited by independent auditors acceptable to the Bank and the Association, in accordance with consistently applied auditing standards acceptable to the Bank and the Association, and furnish to the Borrower, through its Ministry of Environment and Forests, no later than four (4) months after the end of each Fiscal Year, audited financial statements and a summary of audit observations.

Section III. Procurement

All goods, works and services required for the Project State's Respective Part of the Project and to be financed out of the proceeds of the Loan or the Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

Section IV. Other Undertakings

The Project State shall make available adequate counterpart funds from its own resources required to carry out its Respective Part of the Project.