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Project Agreement

(Additional Financing for Tamil Nadu Empowerment and Poverty Reduction
“Vazhndhu Kaattuvom” Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TAMIL NADU VAZHNDHU KAATTUVOM SOCIETY

Dated December 23, 2010

PROJECT AGREEMENT

AGREEMENT dated December 23, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the TAMIL NADU VAZHNDHU KAATTUVOM SOCIETY (“Tamil Nadu Vazhndhu Kaattuvom Society”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between India (“Recipient”) and the Association. The Association and the Tamil Nadu Vazhndhu Kaattuvom Society 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 Tamil Nadu Vazhndhu Kaattuvom Society declares its commitment to the objectives of the Project. To this end, the Tamil Nadu Vazhndhu Kaattuvom Society 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 Tamil Nadu Vazhndhu Kaattuvom Society shall otherwise agree, the Tamil Nadu Vazhndhu Kaattuvom Society 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 Tamil Nadu Vazhndhu Kaattuvom Society’s Representative is the Member-Secretary and Project Director of the Tamil Nadu Vazhndhu Kaattuvom Society, or by such other person or persons as they shall designate in writing.
- 3.02. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391

3.03. The Tamil Nadu Vazhndhu Kaattuvom Society's Address is:

Member-Secretary and Project Director
Tamil Nadu Vazhndhu Kaattuvom Society
Ministry of Rural Development and Panchayat Raj Department
Government of Tamil Nadu
N0.91, St. Mary's Road
Abiramapuram, Chennai
India

Facsimile:

91-44-24616373

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zagha
Authorized Representative

TAMIL NADU VAZHNDHU KAATTUVOM SOCIETY

By /s/ Dheeraj Kumar
Authorized Representative

SCHEDULE 1**Execution of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Tamil Nadu Vazhndhu Kaattuvom Society shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.
2. The Tamil Nadu Vazhndhu Kaattuvom Society 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 Financing.
3. The Tamil Nadu Vazhndhu Kaattuvom Society agrees that it 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 Financing, or the performance by the Tamil Nadu Vazhndhu Kaattuvom Society of its obligations under this Agreement.
4. The Tamil Nadu Vazhndhu Kaattuvom Society shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management and assisted by competent staff in adequate numbers.
5. The Tamil Nadu Vazhndhu Kaattuvom Society undertakes that it will provide financing to District Societies, and Village Grants to Beneficiaries under Part A.2 of the Project. To this end the Tamil Nadu Vazhndhu Kaattuvom Society shall:
 - (a) enter into a District Participating Agreement with each District Society participating in the Project on terms and conditions acceptable to the Association which shall include the terms and conditions set forth in Part A of Schedule 3 to this Agreement; and
 - (b) make available to each District Society in a timely manner and in accordance with the terms of the respective District Participating Agreement: (i) a part of the proceeds of the Financing made available to the Tamil Nadu Vazhndhu Kaattuvom Society by Tamil Nadu; and (ii) a part of the additional funds received by the Tamil Nadu Vazhndhu Kaattuvom Society from Tamil Nadu's own resources in amounts sufficient to cover Tamil Nadu's share of the costs of the Project.

B. Anti-Corruption

The Tamil Nadu Vazhndhu Kaattuvom Society shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Tamil Nadu Vazhndhu Kaattuvom Society shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each such Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than four (4) weeks after the end of the period covered by such report.
2. The Tamil Nadu Vazhndhu Kaattuvom Society shall provide to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request for incorporation in the report referred to in Section 4.08(c) of the General Conditions.

B. Financial Management, Financial Reports and Audits

1. The Tamil Nadu Vazhndhu Kaattuvom Society 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 Tamil Nadu Vazhndhu Kaattuvom Society, including the operations, resources and expenditures related to the Project.
2. The Tamil Nadu Vazhndhu Kaattuvom Society shall have the 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) financial year of the Tamil Nadu Vazhndhu Kaattuvom Society. The Tamil Nadu Vazhndhu Kaattuvom Society shall ensure that the audited financial statements for each period shall be furnished to the Recipient and the Association not later than six (6) months after the end of the period.

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.

SCHEDULE 2

Implementation Program

Organization and Structure of the Tamil Nadu Vazhndhu Kaattuvom Society

1. Throughout the duration of the Project, the Tamil Nadu Vazhndhu Kaattuvom Society shall be responsible for the management and co-ordination of the Project and, for these purposes, shall maintain:
 - (a) a general body consisting of broad representation from all key stakeholders including community, civil society and other outside members which shall function in accordance with the quorum and frequency described in the Tamil Nadu Vazhndhu Kaattuvom Society's Bylaws;
 - (b) an executive committee which shall include members from civil society and the corporate sector which shall meet and function in accordance with the quorum and frequency as described in the Tamil Nadu Vazhndhu Kaattuvom Society's Bylaws;
 - (c) SPMU with the staffing and responsibilities, as agreed with the Association;
 - (d) staff with skills, qualifications and experience and in sufficient number, all as set forth in the Project Implementation Plan; and
 - (e) at all times, a state Project director under satisfactory terms of reference, and with acceptable qualifications and experience all in accordance with the Tamil Nadu Vazhndhu Kaattuvom Society's Memorandum of Association.

Project Implementation and Management

2. The Tamil Nadu Vazhndhu Kaattuvom Society:
 - (a) shall implement the Project in accordance with the Project Implementation Plan, the Anticorruption Guidelines, the GAAP, the Environmental Management Framework, the Tribal Development Plan, and the procedures, principles and practices set forth in the Community Operational Manual;
 - (b) shall take all measures necessary to ensure that District Societies carry out their activities under the Project: (i) in conformity with the procedures, principles and practices set forth in the Community

Operational Manual; and (ii) in accordance with the terms and conditions of the District Participating Agreements; and

- (c) except as the Association shall otherwise agree, shall not amend or waive any provision of the Project Implementation Plan, the Community Operational Manual or any District Participating Agreement, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
3. The Tamil Nadu Vazhndhu Kaattuvom Society shall prepare and furnish to the Association, not later than January 31 of each year, commencing January 31, 2011, annual action and procurement plans for implementation of the Project activities in such form and detail as the Association shall request, and finalize, not later than March 31 of each year, such plans, taking into account the Association's recommendations thereon.

Village Grants under Part A of the Project

4. The Tamil Nadu Vazhndhu Kaattuvom Society shall ensure that, for the purposes of each Village Grant, the relevant DPMU, shall, on behalf of the respective District Society, enter into a Subproject Agreement with the Beneficiary in the form of the model set forth in the Community Operational Manual, including the terms and conditions set forth in Part B of Schedule 3 to this Agreement, and setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, a breakdown of the costs and the amount of the contribution to the cost by the Beneficiary, wherever applicable.
5. The Tamil Nadu Vazhndhu Kaattuvom Society shall:
- (a) ensure that all recipients of Village Grants are selected by District Societies in accordance with the participatory identification as contained in the Project Implementation Plan;
 - (b) cause each respective District Society to release funds in a timely manner to Beneficiaries, as the case may be, to finance Subprojects under Subproject Agreements all in accordance with the rules, procedures and guidelines as set forth in the Community Operational Manual;
 - (c) cause each DPMU to appraise and certify the Federation Subprojects for Beneficiaries in accordance with the criteria, Subproject cycle and procedures specified in the Community Operational Manual; and
 - (d) ensure that funds transferred for Subprojects are used exclusively by Beneficiaries to finance goods, works and services, and in accordance

with agreed community contribution, and procedures specified in the Community Operational Manual, and in accordance with the provisions of the relevant Subproject Agreement.

Support Organization Selection

6. The Tamil Nadu Vazhdhu Kaattuvom Society shall select the support organizations (NGOs, Community Based Organizations, or similar institutions) assisting in the implementation of the Project, in accordance with eligibility criteria and procedures agreed with the Association and set forth in the Project Implementation Plan.

Social and Environmental Safeguards

7. The Tamil Nadu Vazhdhu Kaattuvom Society, shall:
 - (a) carryout the Project in accordance with the agreed Environmental Management Framework (including the cultural property action plan and pest management plan);
 - (b) ensure that the environmental and social screening criteria are updated regularly throughout implementation of the Project and are at all times consistently and satisfactorily applied;
 - (c) ensure that all Subprojects are carried out in accordance with the provisions of the Environmental Management Framework; and
 - (d) without prejudice to the generality of paragraph (a) of this Paragraph 7, implement, the Tribal Development Plan agreed with the Association, to ensure that the tribal population in the area where the Project is being implemented benefit fully from the activities under the Project.

Land Acquisition

8. The Tamil Nadu Vazhdhu Kaattuvom Society shall ensure that:
 - (a) the Project shall be implemented as far as reasonably practicable on publicly-owned land, using exclusively land free from encroachments or other encumbrances;
 - (b) the Project shall not involve any compulsory acquisition of land, forcible eviction or involuntary resettlement of persons; and
 - (c) where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken exclusively on the basis of mutually-agreed sales

transactions or voluntary land donations, and in accordance with guidelines and procedures set forth in the Project Implementation Plan, including establishment of appropriate grievance redress mechanisms to address potential disputes arising out of such sales or donations.

SCHEDULE 3**District Societies, Village Grants and Subprojects****Part A: Financing Provided to District Societies**1. Eligibility Criteria

Except as the Association shall otherwise agree, Village Grants shall be made only to District Societies which shall satisfy, and continue to satisfy, the eligibility criteria set forth in the Community Operational Manual, which shall include the following:

- (a) the District Society shall be registered under the laws of the Recipient;
- (b) the District Society shall have a proper and transparent accounting system;
- (c) the District Society shall be willing and able to submit regular monitoring reports to the Tamil Nadu Vazhndhu Kaattuvom Society, and to submit to monitoring and evaluation by the Tamil Nadu Vazhndhu Kaattuvom Society or by any outside agency appointed by the Tamil Nadu Vazhndhu Kaattuvom Society for this purpose;
- (d) the District Society shall be willing and able to maintain all relevant records, documents and information in respect of financing received from the Tamil Nadu Vazhndhu Kaattuvom Society, and to furnish the same to the Tamil Nadu Vazhndhu Kaattuvom Society;
- (e) the District Society shall have conducted audits in accordance with the laws under which it is registered, and be willing and able to accept mandatory external audits by firms of chartered accountants appointed by the Tamil Nadu Vazhndhu Kaattuvom Society; and
- (f) the District Society shall manage the environmental aspects of its operations in compliance with the Environmental Management Framework and the Tribal Development Plan.

2. Organization and Structure

In order to be eligible, a District Society shall, throughout the duration of the Project, undertake to be responsible for the management and co-ordination of the Project activities within its District, and for these purposes, shall:

- (a) maintain a general body consisting of broad representation from all key stakeholders including community, civil society and other outside members which shall function in accordance with the quorum and frequency described in the District Society's Bylaws;
- (b) maintain an Executive Committee which shall include members from civil society and the corporate sector which shall meet and function in accordance with the quorum and frequency described in the District Society's Bylaws;
- (c) maintain, a DPMU with staffing and responsibilities as agreed with the Association;
- (d) maintain staff with skills, qualifications and experience and in sufficient number, all as set forth in the Project Implementation Plan; and
- (e) maintain, PFTs in its respective District to assist in preparation and implementation of Subprojects.

3. Terms and Conditions of District Participating Agreements

Each eligible District Society shall enter into a written agreement (a District Participating Agreement) with the Tamil Nadu Vazhdhu Kaattuvom Society, such agreement to provide, *inter alia*, for:

- (a) the District Society to declare its commitment to the objectives of the Project and to undertake to conduct its operations and affairs in accordance with sound financial standards and practices, with qualified and experienced management and in accordance with the District Society's Bylaws;
- (b) the District Society to establish and maintain satisfactory procedures and operational policies for supervision and monitoring of Subprojects so as to ensure the achievement of the objectives of the Project;
- (c) the District Society to ensure that the proceeds of Village Grants shall be utilized to finance Subprojects in accordance with the Anticorruption Guidelines, the GAAP, the Environmental Management Framework, the Tribal Development Plan; and on the terms and conditions set forth or referred to in the Community Operational Manual;
- (d) the District Society to exercise its rights under each Subproject Agreement in such manner as to:

- (i) protect the interests of the Recipient, the Association, Tamil Nadu, the Tamil Nadu Vazhdhu Kaattuvom Society and the District Society;
 - (ii) comply with its obligations under the District Participating Agreement and the Subproject Agreement; and
 - (iii) achieve the purposes of the Project;
- (e) the District Society to duly perform all its obligations under the District Participating Agreement, and not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the District Participating Agreement or any provision thereof;
- (f) the District Society, at the request of the Tamil Nadu Vazhdhu Kaattuvom Society, to exchange views with the Tamil Nadu Vazhdhu Kaattuvom Society with regard to the performance of its obligations under the District Participating Agreement and other matters relating to the purposes of the Project;
- (g) the District Society to promptly inform the Tamil Nadu Vazhdhu Kaattuvom Society of any condition which interferes or threatens to interfere with the accomplishment of the purposes of the Financing or the performance by the District Society of its obligations under the District Participating Agreement;
- (h) the District Society to: (i) maintain procedures adequate to monitor and record the progress of Subprojects for which Village Grants have been made through it; (ii) to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of the District Society in respect of the Project and said Subprojects; and (iii) to have such records and accounts audited in accordance with appropriate auditing principles consistently applied by an independent auditor acceptable to the Tamil Nadu Vazhdhu Kaattuvom Society;
- (i) the District Society to provide to the Tamil Nadu Vazhdhu Kaattuvom Society all records, documents and information in respect of Village Grants made through it, the Subprojects for which such Village Grants have been made, and other activities of the District Society, as the Tamil Nadu Vazhdhu Kaattuvom Society shall reasonably request;
- (j) the District Society to provide to the Tamil Nadu Vazhdhu Kaattuvom Society, at regular intervals specified by the Tamil Nadu Vazhdhu

Kaattuvom Society, reports indicating the aggregate amount of financing provided under Village Grants; and

- (k) the Tamil Nadu Vazhdhu Kaattuvom Society to have the right to suspend or terminate the right of the District Society to use the proceeds of the Financing for making Village Grants:
 - (i) upon failure by the District Society to perform its obligations under the District Participating Agreement, or upon notice by the Association to the Recipient that it intends to exercise any of its remedies under Sections 6.02 or 6.06 of the General Conditions or Article IV of the Financing Agreement; or
 - (ii) upon notice by the District Society that it intends to terminate the District Participating Agreement or upon the actual termination of the District Participating Agreement, whichever occurs first.

Part B: Village Grants and Terms and Conditions of Subproject Agreements

Village Grants shall be made on such terms that shall enable the District Society concerned to obtain by written contract (a Subproject Agreement) with the Beneficiary rights adequate to protect the interests of the Recipient, the Association, the Tamil Nadu Vazhdhu Kaattuvom Society and the District Society, including the right to:

- (a) require that the Subproject for which the Village Grant is made be carried out in accordance with the Anticorruption Guidelines, the GAAP, the Environmental Management Framework, the Tribal Development Plan and the Community Operational Manual, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and that adequate records to reflect the operations, resources and expenditures in respect of the Subproject be maintained;
- (b) require that:
 - (i) the goods, works and services to be financed from the proceeds of the Financing be procured in accordance with the procedures set forth in Section III of Schedule 2 to the Financing Agreement; and
 - (ii) such goods, works and services be used exclusively in the carrying out of the Subproject for which the Village Grant is made;

- (c) ensure that the District Society may inspect by itself, or jointly with the Tamil Nadu Vazhndhu Kaattuvom Society and/or the Association, if the Tamil Nadu Vazhndhu Kaattuvom Society and/or the Association shall so request, the goods, works and services included in the Subproject for which the Village Grant is made, the operations thereof and any relevant records and documents;
- (d) enable the District Society to obtain all such information as the District Society or the Tamil Nadu Vazhndhu Kaattuvom Society or the Association shall reasonably request, regarding the administration, operation and financial condition of the Subproject for which the Village Grant is made; and
- (e) suspend or terminate the right of the Beneficiary to use the proceeds of the Financing for the Subproject for which the Village Grant is made upon the failure by the Beneficiary to perform any of its obligations under the Subproject Agreement.