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CREDIT NUMBER 4859-IN

# Project Agreement

(Rajasthan Rural Livelihoods Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF RAJASTHAN

and

RAJASTHAN GRAMIN AJEEVIKA VIKAS PARISHAD SOCIETY

Dated May 24, 2011

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## **PROJECT AGREEMENT**

AGREEMENT dated May 24, 2011, entered into among INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and the STATE OF RAJASTHAN ("Rajasthan") and RAJASTHAN GRAMIN AJEEVIKA VIKAS PARISHAD SOCIETY ("State Society") (Rajasthan and the State Society are hereinafter collectively referred to as the "Project Implementing Entities") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between INDIA ("Recipient") and the Association. The Association and Rajasthan 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. Each of the Project Implementing Entities declares its commitment to the objectives of the Project. To this end, the Project Implementing Entities 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 Entities shall otherwise agree, the Project Implementing Entities shall carry out the Project in accordance with the provisions of the Schedule 1 to this Agreement.

### **ARTICLE III — REPRESENTATIVES; ADDRESSES**

- 3.01. The Project Implementing Entities' representatives are:

*For Rajasthan:*

Principal Secretary, Rural Development and Panchayati Raj of the  
Government of Rajasthan

*For Rajasthan Gramin Ajeevika Vikas Parishad Society:*

Member Secretary of the State Society

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 Addresses of the Project Implementing Entities are:

*For Rajasthan:*

Principal Secretary, Rural Development and Panchayati Raj  
Government of Rajasthan  
Secretariat  
Jaipur, Rajasthan 302005  
India

Facsimile:

+91-141-2227635

*For Rajasthan Gramin Ajeevika Vikas Parishad Society:*

Member Secretary of the State Society  
Rajasthan Gramin Ajeevika Vikas Parishad Society  
"B" Block Third Floor, Yojana Bhawan  
Jaipur, Rajasthan 302005  
India

Facsimile:

+91-14 2229894

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zagher  
Authorized Representative

STATE OF RAJASTHAN

By /s/ Punam  
Authorized Representative

RAJASTHAN GRAMIN AJEEVIKA VIKAS  
PARISHAD SOCIETY

By /s/ Punam  
Authorized Representative

## SCHEDULE 1

### Execution of the Project

#### Section I. Implementation, Institutional and Other Arrangements

##### A. **Financing of the Project**

Rajasthan shall make available to the State Society in a timely manner the proceeds of the Financing made available to Rajasthan by the Recipient, and additional funds from Rajasthan's own resources sufficient for carrying out the Project.

##### B. **Institutional Arrangements**

1. The Project Implementing Entities shall carry out the Project in accordance with the Implementation Program referred to in Schedule 2 to this Agreement, the Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the Community Operations Manual, the Human Resources Manual, and shall not amend or waive any provision of the Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the Community Operations Manual, the Human Resources Manual, except as mutually agreed upon.
2. Each of the Project Implementing Entities shall, at the request of the Association, exchange views with the Association with regard to the progress in the implementation of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Financing.
3. Each of the Project Implementing Entities shall promptly inform the Association of any condition which interferes, or threatens to interfere, with the implementation of the Project, the accomplishment of the purposes of the Financing or the performance of its obligations under this Agreement.

##### C. **Anti-Corruption**

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

##### D. **Safeguards**

The Project Implementing Entities shall:

1. carry out the Project in accordance with the EMF and the TDF in a manner satisfactory to the Association;
2. ensure that the environmental and social performance indicators contained in the EMF and the TDF are updated and monitored regularly, in agreement with the Association; and
3. submit to the Association semi-annual progress reports on compliance with social and environmental safeguard measures under the Project, detailing measures taken in furtherance of the EMF and the TDF, and of conditions, if any, which interfere or threaten to interfere with the smooth implementation of the EMF and TDF, and remedial measures taken or required to be taken to address such conditions.

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

### **A. Project Reports**

1. Rajasthan shall monitor and evaluate the progress of the Project and shall cause the State Society to prepare Project Reports 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 by the State Society to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. Rajasthan 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 in Section 4.08(c) of the General Conditions.

### **B. Financial Management, Financial Reports and Audits**

1. Rajasthan shall maintain, and shall cause the State Society to 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, resources and expenditures related to the Project.
2. Rajasthan shall cause the State Society to, have the Project's 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 Rajasthan. Rajasthan shall ensure, or shall cause the State Society to 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.

3. Rajasthan shall cause the State Society to, prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory 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, including those to be financed by the proceeds of Investment Supports, shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

## SCHEDULE 2

### Implementation Program

#### A. Institutional Arrangements

1. The State Society, through the SPMU, shall be responsible for the implementation, management and coordination of the Project and, to these ends, shall:
  - (a) maintain, at all times during Project implementation, a State Project Management Unit, with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to coordinate and monitor the carrying out of the Project;
  - (b) ensure that the SPMU shall be led, at all times during Project implementation, by a state project director assisted by adequate professional and administrative staff (including procurement, financial management, technical, environmental and social development specialists), in numbers and with experience and qualifications, and operating under terms of reference, agreed to among Rajasthan, the State Society and the Association;
  - (c) maintain, at all times during Project implementation, the PIP and the Community Operations Manual;
  - (d) not amend, delete or waive any provision of the PIP and/or the Community Operations Manual without the prior agreement of Rajasthan and the Association; and
  - (e) maintain, at all times during Project implementation, internal auditors with qualifications and experience acceptable to the Association, to prepare, under terms and conditions acceptable to the Association, internal audits in respect of the Project.

#### B. Terms and Conditions Governing Investment Supports

1. The State Society, through the SPMU, shall make an Investment Support to a Beneficiary Institution in accordance with terms and conditions approved by the Association set forth in the respective SHGLP Grant Agreement, including those set forth in the Community Operations Manual and the PIP, which shall include, *inter alia*, the obligation of the State Society to:
  - (a) obtain rights adequate to protect its interests and those of the Recipient, the Association and Rajasthan, including the right to: (i) suspend or

terminate the right of the Beneficiary Institution to use Investment Support proceeds; and (ii) recover all or any part of the amount of Investment Support proceeds then withdrawn (in accordance with Rajasthan's provisions applicable to such recoveries), upon the Beneficiary Institution's failure to perform any of its obligations under the SHGLP Grant Agreement; and

- (b) take all necessary steps to ensure that the Beneficiary Institution shall carry out its obligations under its SHGLP Grant Agreement with due diligence and efficiency and pursuant to the criteria and procedures set forth in the PIP and the Community Operations Manual, and in accordance with the provisions of the EMF, the TDF, the Anti-Corruption Guidelines and the GAAP.
2. The State Society shall exercise its rights under each SHGLP Grant Agreement in such manner as to protect the interests of the Recipient, the Association and each of the Project Implementing Entities and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, the State Society shall not assign, amend, abrogate or waive any SHGLP Grant Agreement or any of its provisions.
  3. The State Society shall take all necessary steps to ensure that each Beneficiary Institution and/or SHG shall be obligated, under its respective SHGLP Grant Agreement, to:
    - (a) maintain a financial management system and prepare financial statements in accordance with the procedures set forth in Section II. B of Schedule 1 to this Agreement and the Project Implementation Plan so as to adequately reflect the operations carried out with the proceeds of the Investment Support;
    - (b) enable the Recipient, the Association and each of the Project Implementing Entities to review the activities, facilities and/or operations financed out of the Investment Support proceeds, and any relevant records and documents; and
    - (c) prepare and furnish to the Recipient, the Association and each of the Project Implementing Entities such information as the Recipient, the Association or either of the Project Implementing Entities shall reasonably request.

**C. Environmental and Social Safeguards**

1. The State Society shall:

- (a) ensure that the Project is implemented, as far as reasonably practicable, using exclusively land free from encroachments or other encumbrances, and without recourse to compulsory acquisition of land, forcible eviction or involuntary resettlement of persons; and
- (b) ensure that no land shall be acquired under the Project.