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Project Agreement

**(Additional Financing for Uttarakhand Decentralized
Watershed Development Project)**

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTARAKHAND

Dated March 17, 2011

PROJECT AGREEMENT

AGREEMENT dated March 17, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the STATE OF UTTARAKHAND (“Uttarakhand” or “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. Uttarakhand declares its commitment to the objectives of the Project. To this end, Uttarakhand shall, through WMD, 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 Uttarakhand shall otherwise agree, Uttarakhand shall, through WMD, carry out the Project in accordance with the provisions of the Schedules 1 and 2 to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. Uttarakhand’s Representative is its Chief Secretary or such other person or persons as he or she shall authorize.
- 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 Project Implementing Entity's Address is:

Chief Secretary
Government of Uttarakhand
Dehradun
Uttarakhand, India

Facsimile:

91-135-2712500

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 UTTARAKHAND

By /s/ M. H. Khan
Authorized Representative

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

1. Uttarakhand, through WMD, shall carry out the Project in accordance with the Operations Manual, the Implementation Program set forth in Schedule 2 to this Agreement, the ESMF, IPMP and TTS, and shall not amend or waive any provision of the Operations Manual, the ESMF, IPMP and TTS, except as the Association shall otherwise agree.
2. Uttarakhand shall take necessary and appropriate actions to ensure that adequate allocations are included in the state budget to implement the Project.
3. Uttarakhand shall make available to Beneficiaries in a timely manner and on a grant basis the proceeds of the Financing made available to Uttarakhand by the Recipient for the purposes of the Project, as well as additional funds as required from Uttarakhand's own resources to cover Uttarakhand's share of the cost of the Project.

B. Anti-Corruption

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

C. Safeguards

Uttarakhand, through WMD, shall:

1. carry out the Project in accordance with the ESMF, IPMP and TTS in a manner satisfactory to the Association.
2. ensure that the environmental and social performance indicators contained in the ESMF, IPMP and TTS are updated and monitored regularly, in agreement with the Association.
3. submit to the Association quarterly progress reports on compliance with social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the ESMF, IPMP and TTS, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the

ESMF, IPMP and TTS, and remedial measures taken or required to be taken to address such conditions.

4. ensure that the Project shall be 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.
5. ensure that, where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken in accordance with guidelines and procedures acceptable to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Uttarakhand 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 the Key Performance Indicators. Each such Project Report shall cover the period of six (6) months, and shall be furnished by Uttarakhand to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. Uttarakhand 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. Uttarakhand, through WMD, 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, financial condition, resources and expenditures related to the Project.
2. Uttarakhand, through WMD, shall 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 Uttarakhand. Uttarakhand, through WMD, 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.
3. Uttarakhand, through WMD, shall prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter, Interim Unaudited

Financial Reports (IUFRR) 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 for Subprojects) shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

SCHEDULE 2**Implementation Program****Institutional Provisions**

1. Uttarakhand shall:
 - (a) maintain, through the implementation period of the Project, a state-level steering committee to provide overall guidance and policy support in the implementation of the Project, and facilitate inter-agency coordination; and
 - (b) designate WMD to be responsible for overall implementation of the Project, and a Chief Project Director to be responsible for the day-to-day management of the Project, including management of procurement and disbursement activities, consolidation of annual work programs and budgets, preparation and production of annual progress reports and financial statements, and monitoring and evaluation of the Project.
2. Uttarakhand shall ensure that:
 - (a) the Chief Project Director shall be assisted by a Deputy Chief Project Director, a Project Director for each of the two administrative regions of Uttarakhand, a Social Coordinator, an Environmental Coordinator and a Finance Officer, and other suitably qualified and experienced technical and administrative staff in adequate numbers;
 - (b) in each of the districts and blocks included in the Project Area, a Deputy Project Director and multi-disciplinary teams shall be appointed to be responsible, respectively, for appraisal of GPWDPs and facilitation of Project implementation in their respective districts and blocks; and
 - (c) the positions of Chief Project Director, Deputy Chief Project Director, Project Director, Deputy Project Director, Social and Environmental Coordinators, and Finance Officer shall as far as reasonably practicable be kept filled at all times by suitably qualified and experienced persons.
3. Uttarakhand shall maintain, throughout the implementation period of the Project, internal auditors having qualifications and experience acceptable to the Association, to be responsible under terms and conditions acceptable to the Association for internal audits under the Project.

4. Uttarakhand shall maintain, throughout the implementation period of the Project, a computerized financial management system, acceptable to the Association, for the purposes of the Project.

Terms and Conditions governing Subprojects

5. Uttarakhand shall apply the amount allocated to Category (1) of the table in Section IV.A.2 of Schedule 2 to the Financing Agreement to finance Subprojects on terms and conditions acceptable to the Association, including but not limited to the following:
 - (a) the amount so allocated shall be used exclusively to finance Subprojects in accordance with the criteria and procedures specified in the Operations Manual;
 - (b) the amount allocated for each Subproject shall be determined according to a pre-determined cost-sharing formula, which shall be acceptable to the Association, and specified in the Operations Manual;
 - (c) goods, works and services required for purposes of a Subproject shall be procured in accordance with procedures referred to in Section III of Schedule 2 to the Financing Agreement and set forth in the Operations Manual and in the Procurement Plan;
 - (d) for purposes of each Subproject, Uttarakhand shall sign an agreement (hereinafter referred to as Subproject Financing Agreement) with the Beneficiary on terms and conditions acceptable to the Association and in the form of the model set forth in the Operations Manual, setting forth the respective obligations of the parties there under, including:
 - (i) details of agreed disbursement schedules and procurement procedures;
 - (ii) a list of goods, works and services to be financed;
 - (iii) the amount of the Beneficiary's contribution, whether in cash or in kind, to the cost of the Subproject; and
 - (iv) an undertaking on the part of the Beneficiary to execute the Subproject with due diligence and, upon its completion, to provide for its operation and maintenance.