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CREDIT NUMBER 4255-IN  
LOAN NUMBER 4846-IN

# Project Agreement

(Tamil Nadu Irrigated Agriculture Modernization and  
Water-Bodies Restoration and Management Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF TAMIL NADU

Dated February 12, 2007

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**CREDIT NUMBER 4255-IN  
LOAN NUMBER 4846-IN**

**PROJECT AGREEMENT**

AGREEMENT dated February 12, 2007, entered among INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), and Tamil Nadu (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between India (“Recipient”) and the Association (“Financing Agreement”), and the Loan Agreement of same date between India (“Borrower”) and the Bank (“Loan Agreement”). The Association and the Bank, 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 and in Section 1.01 to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement, Loan Agreement or the General Conditions (as so respectively defined in the Financing Agreement and the Loan Agreement).

**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 Association’s General Conditions and Article V of the Bank’s 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, the Bank 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 – REPRESENTATIVE; ADDRESSES**

- 3.01. The Project Implementing Entity’s Representative is Chief Secretary, Government of Tamil Nadu.

3.02. The Association and the Bank's Address is:

International Development Association  
International Bank for Reconstruction and Development  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Government of Tamil Nadu  
Secretariat, Fort St. George  
Chennai, Tamil Nadu, India

Facsimile:  
91-44-2567-8840

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By

/s/ Praful C. Patel  
Regional Vice President  
South Asia Region

STATE OF TAMIL NADU

By

/s/ S. Rajarethinam  
Authorized Representative

## **SCHEDULE**

### **Execution of the Project**

#### **Section I. Institutional and Other Arrangements**

##### **A. Institutional Provisions**

1. The Project Implementing Entity shall at all times maintain, in a manner satisfactory to the Association and the Bank, the MDPU headed by a Project Director, who shall be a civil servant with experience in coordination of and working in multiple departments, who shall be assisted by competent staff in adequate numbers and with adequate resources. The MDPU shall be responsible for: (a) the day-to-day management of the Project, including the overall supervision of the Project Implementing Entity's agencies involved in the implementation of the Project and the coordination of their activities; (b) the vetting of Sub-basin Development Plans prepared by the said agencies; (c) the vetting of consolidated Annual Work Programs and budgets of said agencies; (d) the preparation of quarterly Project-related progress reports and financial statements; and (e) the monitoring of the implementation of the Project and the evaluation of the achievement of the objectives thereof.
2. The Project Implementing Entity shall, at all times during the implementation of the Project: (a) maintain the WRO and strengthen its operational capacity as a specialized irrigation service delivery department; (b) maintain the PSC and the WUAs in the Project Area; (c) maintain the MDPU, the SWaRMA, and the cells established within the implementation agencies, all under the supervision of qualified and experienced management assisted by competent staff in adequate numbers and with adequate resources satisfactory to the Association and the Bank.
3. The Project Implementing Entity shall take all necessary measures required on its part to establish by December 31, 2007, and thereafter maintain, in a manner satisfactory to the Association and the Bank, a funding mechanism to provide Grants from the Irrigation Research Fund to Grant Recipients for applied research in improved irrigation technologies.
4. The Project Implementing Entity shall carry out the Project in accordance with the Operations Manual, the ESA, the ESMF, the Transparency and Accountability Plan and the Annual Work Programs, and shall not amend or waive any provision of the Operations Manual, the ESA, the ESMF, the Transparency and Accountability Plan and any of the Annual Work Program, except as the Association or the Bank shall otherwise agree.

5. The Project Implementing Entity shall cause the MDPU to furnish to the Association and the Bank for their review and approval, by November 15 of each year until completion of the Project, commencing on November 15, 2007, the Sub-basin Development Plans prepared by the agencies involved in the implementation of the Project, together with the Annual Work Programs and budget estimates in connection with the following year, and proceed thereafter to coordinate the carrying out of the said Annual Work Programs taking into account the Association's and the Bank's comments thereon.
6. The Project Implementing Entity shall ensure that the installation and testing of computer equipment and communications infrastructure in WRO's offices shall take place not later than December 31, 2008.
7. The Project Implementing Entity shall ensure that, within two (2) weeks from receiving a funding request from WRO in connection with the financing of any given Annual Work Program, the Project Implementing Entity's Finance Department shall arrange for the issuance of a letter of credit in an amount sufficient to cover WRO's semi-annual requirements to finance Project activities covered under the Annual Work Program.
8. The Project Implementing Entity shall:
  - (a) by December 31, 2007, establish, and thereafter maintain, the SWaRMA as the state-wide focal agency for environmentally and socially sustainable inter-sectoral water resource management;
  - (b) within three (3) years of the Effective Date, take all necessary action required on its part to establish a required number of WUAs in all of the sub-basins in the Project Area;
  - (c) within ninety (90) days of the Effective Date, place in position an executive engineer for each sub-basin or cluster of sub-basins in the Project Area, with reasonable tenure to ensure effective Project implementation, to act as nodal officer for the development and implementation of Sub-basin Development Plans, and to ensure, within each sub-basin, that a sub-basin development unit has been established with appropriate staffing and resources to prepare and implement Sub-basin Development Plans;
  - (d) within ninety (90) days of the Effective Date, take all necessary action required on its part to employ consultants, in accordance with the provisions of Part C of Section III of Schedule 2 to the Financing Agreement, to undertake monitoring and evaluation activities under the Project;

- (e) within six (6) months of the Effective Date, place in position a suitable internal auditor, pursuant to terms of reference acceptable to the Association and the Bank; and
- (f) within thirty (30) days of the Effective Date, establish, and thereafter maintain, with experienced staff in adequate numbers and sufficient resources: (i) a participatory irrigation management cell whose main responsibility shall be to strengthen the institutional capacity of the WUAs, and strengthen the capacity of the WRO to provide services to farmers; (ii) an information technology cell whose main responsibility shall be to oversee the implementation of computerization and connectivity activities, and facilitate the functioning of a web-based information management system; and (iii) a training cell whose main responsibility shall be to coordinate training activities on the basis of an annual training plan prepared by the training cell in consultation with the MDPU and the WRO.

**B. Terms, Conditions, and Procedures for Financing the Grants**

For the purposes of carrying out Components C(iii) and D(iv) of the Project, the Project Implementing Entity, shall, through the WRO or the SWaRMA, as appropriate, make necessary arrangements, satisfactory to the Association and the Bank, to provide Grants out of the Irrigation Research Fund or the Water Resources Research Fund, as the case may be, on terms and conditions, and in accordance with procedures, set forth in the Operations Manual, including the obligation of the Project Implementing Entity to enter with each Grant Recipient into a grant agreement, as set forth in the Operations Manual.

**C. Environmental and Social Safeguards Management**

1. The Project Implementing Entity shall, through the MDPU, furnish to the Association and the Bank semi-annual progress reports on the Project Implementing Entity's compliance with the social and environmental safeguard measures set forth in the ESA and the ESMF, providing details of measures taken in furtherance of the ESA and the ESMF, conditions, if any, which interfere or threaten to interfere with the successful implementation of the ESA and the ESMF and remedial measures taken or required to be taken to address such conditions.
2. The Project Implementing Entity shall ensure that:
  - (a) key social development issues including, *inter alia*, vulnerable groups, and women's groups shall underpin the Project's social strategy and implementation;
  - (b) the Project shall be implemented using to the extent practicable land free from squatters, encroachments or other encumbrances, and without

recourse to compulsory acquisition of land, forcible eviction and involuntary resettlement of local population; if and where unavoidable, involuntary resettlement shall be kept to the strict minimum, and shall be undertaken in accordance with guidelines and procedures acceptable to the Association and the Bank, including, *inter alia*, those set forth in the ESMF; and

- (c) all necessary steps are taken to implement the Sub-basin Development Plans in accordance with the ESA and the ESMF, and that no action is taken that shall hinder, prevent or interfere with such implementation.

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

### **A. Project Reports**

The Project Implementing Entity shall, through the MDPU, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the Association's General Conditions and Section 5.08(b) of the Bank's General Conditions and on the basis of indicators agreed with the Association and the Bank. Each such Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Association and the Bank not later than sixty (60) days after the end of the period covered by such report.

### **B. Financial Management, Financial Reports; 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 and the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have the financial statements referred to above audited by independent auditors acceptable to the Association and the Bank, in accordance with consistently applied auditing standards acceptable to the Association and the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association and the Bank not later than six (6) months after the end of the period.
3. The Project Implementing Entity shall, through the MDPU, prepare and furnish to the Association and the Bank, not later than sixty (60) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association and the Bank.

**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 Schedule 2 to the Financing Agreement.