

CONFORMED COPY

CREDIT NUMBER 4103-IN

Tamil Nadu Project Agreement

(Tamil Nadu Empowerment and Poverty Reduction “Puthu Vazhvu” Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF TAMIL NADU

Dated September 14, 2005



CREDIT NUMBER 4103-IN

PROJECT AGREEMENT

AGREEMENT dated September 14, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the State of Tamil Nadu (Tamil Nadu) acting by its Governor.

WHEREAS (A) the Association has received a letter dated July 12, 2005, from the State of Tamil Nadu (hereinafter referred to as Tamil Nadu) describing a program of objectives, policies and actions designed to strengthen Tamil Nadu's livelihood program using the community driven development approach and declaring Tamil Nadu's commitment to the execution of such program;

(B) by the Development Credit Agreement of even date herewith between India (hereinafter referred to as the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to seventy nine million four hundred thousand Special Drawing Rights (SDR 79,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Tamil Nadu agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(C) by the Puthu Vazhvu Society Project Agreement of even date herewith between the Association and Tamil Nadu Puthu Vazhvu Society (the State Society), the State Society has undertaken certain obligations towards the Association as set forth in the Puthu Vazhvu Society Project Agreement;

(D) all of the proceeds of the Credit provided for under the Development Credit Agreement and made available to Tamil Nadu will be released as a grant to the State Society; and

WHEREAS, Tamil Nadu, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Tamil Nadu declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall cause the State Society to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, social and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, Tamil Nadu shall cause the State Society to perform in accordance with the provisions of the Puthu Vazhvu Society Project Agreement all the obligations therein set forth, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the State Society to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without limitation upon the provisions of paragraph (a) of this Section, Tamil Nadu shall make available to the State Society as a grant: (i) the proceeds of the Credit; and (ii) additional funds from Tamil Nadu's own resources in amounts sufficient to cover Tamil Nadu's share of the costs of the Project, under terms and conditions which shall have been approved by the Association.

Section 2.02. (a) Tamil Nadu 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 Credit.

(b) Tamil Nadu 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 Credit, or the performance by Tamil Nadu of its obligations under this Agreement.

Section 2.03 Tamil Nadu shall ensure that:

(a) the Project shall be implemented by the State Society as far as reasonably practicable on publicly-owned land, using exclusively land free from squatters, 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.

ARTICLE III

Financial Covenants

Section 3.01 (a) For all expenditures with respect to which withdrawals from the Credit Account were Report-based Disbursements or were made on the basis of statements of expenditure, Tamil Nadu shall:

- (i) maintain or cause the State Society to maintain in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records evidencing such expenditures are retained until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) Tamil Nadu shall or shall cause the State Society to:

- (i) have the records and accounts referred to in paragraph (a)(i) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such Fiscal Year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, as the Association may from time to time reasonably request.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Tamil Nadu hereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify Tamil Nadu of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

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

For Tamil Nadu:

Chief Secretary to the Government
The Government of Tamil Nadu
Tamil Nadu

Facsimile:

91-44-2567 5183

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Tamil Nadu, may be taken or executed by the Secretary to Government of Tamil Nadu, Social Welfare and Nutritious Meal Programme Department or such other person or persons as the Secretary to Government of Tamil Nadu, Social Welfare and Nutritious Meal Programme Department shall designate in writing, and Tamil Nadu shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael F. Carter

Country Director, India

STATE OF TAMIL NADU

By /s/ L.N. Vijayaraghavan

Authorized Representative