

CONFORMED COPY

**CREDIT NUMBER 4291-IN
LOAN NUMBER 4857-IN**

Project Agreement

(Andhra Pradesh Community-Based Tank Management Project)

among

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF ANDHRA PRADESH

Dated June 8, 2007

**CREDIT NUMBER 4291-IN
LOAN NUMBER 4857-IN**

PROJECT AGREEMENT

AGREEMENT dated June 8, 2007, entered among INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and Andhra Pradesh (“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 Andhra Pradesh.

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:

Chief Secretary Government of
Andhra Pradesh
Secretariat
Hyderabad, India 500 022

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/ Salman Zaheer
Authorized Representative

STATE OF ANDHRA PRADESH

By

/s/ S.P. Tucker
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 PMU headed by a Project Director, of the rank of Commissioner/Special Commissioner and who shall be a civil servant with experience in coordination of and working in multiple departments, who shall be assisted by competent multi-disciplinary staff in adequate numbers and with adequate resources.
2. The Project Implementing Entity shall establish by the Effective Date, and, at all times during the implementation of the Project, maintain the required DPUs, SOs and WUAs in the appropriate Project Area, all under the supervision of qualified and experienced management assisted by competent multi-disciplinary staff in adequate numbers and with adequate resources satisfactory to the Association and the Bank.
3. The Project Implementing Entity shall carry out the Project in accordance with the Project Implementation Plan, the Operations Manual and the TIMPs, and shall not amend or waive any provision of the Project Implementation Plan, the Operations Manual, and the TIMPs, except as the Association or the Bank shall otherwise agree.
4. The Project Implementing Entity shall establish by the Effective Date and, at all times during the implementation of the Project, maintain the external M&E Agency, 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. The M&E Agency will prepare a Project baseline survey and accompanying report, also satisfactory to the Association and the Bank, within six (6) months of the Effective Date, and thereafter conduct impact assessment surveys and audits at mid-term and Project completion to assess the implementation of the Project.
5. The Project Implementing Entity shall cause the PMU to furnish to the Association and the Bank for their review and approval, by December 31 of each year until completion of the Project, commencing on December 31, 2007 the Annual Action Plan for the following fiscal year and proceed thereafter to coordinate the carrying out of the said Annual Action Plan taking into account the Association's and the Bank's comments thereon.

6. For the purposes of carrying out Part C(v) of the Project, the Project Implementing Entity, shall make necessary arrangements satisfactory to the Association and the Bank, to provide Grants from the Marketing and Agribusiness fund to WUAs, on terms and conditions, and in accordance with procedures, set forth in the PIP, including the obligation of the Project Implementing Entity to enter into a grant agreement or MOU with each selected WUA, as set forth in the PIP.

B. Environmental and Social Safeguards Management

1. The Project Implementing Entity shall, through the PMU, furnish to the Association and the Bank, as part of the Project Report, semi-annual progress reports on the Project Implementing Entity's compliance with the social and environmental safeguard measures set forth in the SEMF, providing details of measures taken in furtherance of the SEMF, conditions, if any, which interfere or threaten to interfere with the successful implementation of the SEMF 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; and
 - (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 SEMF.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Project Implementing Entity shall 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 one calendar semester, and shall be furnished to the Recipient not later than six weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association and the Bank of the overall Project 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its 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 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 or the Loan shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.