Project Agreement

(Dam Rehabilitation and Improvement Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

DAMODAR VALLEY CORPORATION

Dated 2nd July, 2015
PROJECT AGREEMENT

AGREEMENT dated 21st July, 2015, entered into among INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and DAMODAR VALLEY CORPORATION ("DVC" or "Participating Entity") ("Project Agreement").

Whereas by: (i) a loan agreement dated December 21, 2011 between India ("Borrower") and the Bank ("Loan Agreement"), the Bank made a loan to the Borrower in an amount equal to one hundred seventy five million Dollars ($175,000,000) ("Loan") on the terms and conditions set forth in the Loan Agreement, and (ii) a financing agreement dated December 21, 2011 between the Borrower and the Association ("Financing Agreement"), the Association made a credit to the Borrower in an amount equal to one hundred fifteen million nine hundred thousand Special Drawing Rights (SDR115,900,000) ("Credit"), on the terms and conditions set forth in the Financing Agreement, but only on condition that each Participating State agrees to undertake such obligations towards the Bank and the Association as are set forth in the Project Agreement dated December 21, 2011 among the Association, the Bank, State of Kerala, State of Madhya Pradesh, State of Orissa and State of Tamil Nadu and the Project Agreement dated November 22, 2014 among the Association, the Bank and the State of Karnataka, Loan Agreement and Financing Agreement, respectively, and in this Agreement.

The Project will be carried out in part by the Participating States and/or Participating Entity with the Borrower's assistance and, as part of such assistance, the Borrower shall make available to each Participating State and/or Participating Entity a part of the proceeds of the Loan and a part of the proceeds of the Credit, as provided for in the Loan Agreement and Financing Agreement, respectively.

The Participating Entity, in consideration of the Bank's entering into the Loan Agreement with the Borrower, and the Association's entering into the Financing Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement.

Now therefore, the Association, the Bank and the Participating Entity hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

1.01. The “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) ("IBRD General Conditions") and the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as
amended through October 15, 2006) ("IDA General Conditions") 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 Loan Agreement, the Financing Agreement, the IBRD General Conditions or the IDA General Conditions.

ARTICLE II — PROJECT

2.01. The Participating Entity declares its commitment to the objective of the Project. To this end, the Participating Entity shall carry out its Respective Part of the Project in accordance with the provisions of Article IV of the IDA General Conditions and the provisions of Article V of the IBRD General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank, the Association and the Participating State shall otherwise agree, the Participating Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — EFFECTIVENESS

3.01. This Project Agreement shall enter into effect upon the Bank’s and the Association’s receipt of evidence, satisfactory to the Bank and the Association that the following conditions have been satisfied, namely:

   (a) the execution and delivery of the amendment letter to the Financing Agreement and Loan Agreement restructuring the Project to incorporate DVC, as a new Participating Entity; and
   (b) an opinion or opinions satisfactory to the Bank and the Association of counsel acceptable to the Bank and the Association or, if the Bank and the Association so request, a certificate satisfactory to the Bank and the Association of a competent official of the DVC, on behalf of DVC, showing/attesting that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, DVC, and is legally binding upon DVC in accordance with its terms.

3.02. Except as the Bank and the Association shall otherwise agree, this Project Agreement shall enter into effect on the date upon which the Bank and the Association dispatch to DVC a notices of its acceptance of the evidence required pursuant to Section 3.01 above.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Participating Entity’s Representative is its Chairman.

4.02. The Association’s and the Bank’s address is:

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

Facsimile:
1-202-477-6391

4.03. The Participating Entity’s address is:

Damodar Valley Corporation
CIT Rd, Kankurgachi, Kolkata,
West Bengal 700054, India

Phone:
91-33-23557931

AGREED at 21st July 2015, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Authorized Representative

DAMODAR VALLEY CORPORATION

Authorized Representative
Section I. **Implementation, Institutional and Other Arrangements**

A. **Institutional Arrangements**

Without limitation upon the provisions of Section 3.01 of the Loan Agreement and of the Financing Agreement, the Participating Entity shall:

1. carry out its Respective Part of the Project through its Dam Safety Organization, all in accordance with the Project Implementation Plan.

2. maintain a project implementation plan, satisfactory to the Bank and the Association, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including:
   
   (a) guidelines governing the procurement, financial management and disbursement processes under the Project;
   
   (b) criteria for the identification, selection and planning of dam rehabilitation and improvement activities under the Project;
   
   (c) the ESMF, GAAP, Procurement Plan and Financial Management Manual; and
   
   (d) the Key Performance Indicators.

3. not amend, delete or waive any provision of the Project Implementation Plan without the prior written agreement between the Participating Entity and the Bank and the Association.

4. maintain, at all times during Project implementation, its Dam Safety Organization.

5. maintain, at all times during Project implementation, a Project Management Unit in the Participating Entity, with functions and responsibilities acceptable to the Bank and the Association, including, *inter alia*, the responsibility of said units to co-ordinate and monitor the carrying out of the Project.

6. ensure that the Entity Project Management Unit is, at all times during Project implementation, led by a project director and is assisted by adequate professional and administrative staff (including procurement, financial management, environmental and social development specialists), in numbers and with
experience and qualifications agreed to between the Participating Entity and the Bank and the Association, and operating under terms of reference agreed to between the Participating Entity and the Bank and the Association.

7. not use any Project funds to increase the designed storage capacity of reservoirs.

B. Anti-Corruption

The Participating Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

C. Social and Environmental Safeguards

The Participating Entity shall:

1. carry out the Project in accordance with the ESMF in a manner satisfactory to the Bank and the Association.

2. ensure that the environmental and social screening criteria are updated regularly, and are at all times consistently and satisfactory applied.

D. Other

The Participating Entity shall:

1. ensure that, for each independent activity consisting of improvement and rehabilitation works under Part A of the Project, a template which summarizes information on technical, environmental, social, and implementation-related information aspects of such activity is prepared.

2. ensure that, prior to the carrying out of any improvement and rehabilitation works under Part A of the Project, the Bank and the Association have approved the template referred to in paragraph 1 of this Section.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Participating Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the IDA General Conditions and Section 5.08(b) of the IBRD 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 to the Central Water Commission
not later than four (4) weeks after the end of the period covered by such report for incorporation into the overall Project Report to be forwarded by the Borrower/Recipient, through its Central Water Commission, to the Bank and the Association.

2. The Participating Entity shall provide to the Borrower/Recipient, not later than September 30, 2018, for incorporation in the report referred to in Section 4.08(c) of the IDA General Conditions and Section 5.08(c) of the IBRD General Conditions all such information as the Borrower/Recipient, the Bank or the Association shall reasonably request for the purposes of such Sections.

B. Financial Management, Financial Reports and Audits

1. The Participating Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank and the Association, both in a manner adequate to reflect the operations and financial condition of the Participating Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Participating Entity shall have its financial statements referred to above audited, by independent auditors acceptable to the Bank and the Association, in accordance with consistently applied auditing standards acceptable to the Bank and the Association. Each audit of these financial statements shall cover the period of one (1) financial year of the Participating Entity. The audited financial statements for each period shall be furnished to the Central Project Management Unit, the Bank and the Association not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works and services required for the Participating Entity’s Respective Part of the Project and to be financed out of the proceeds of the Loan and the Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement and Section III of Schedule 2 to the Loan Agreement.