OFFICIAL DOCUMENTS

LOAN NUMBER 8487-IN

Project Agreement

(Punjab Rural Water and Sanitation Sector Improvement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF PUNJAB

Dated May 11, 2015
PROJECT AGREEMENT

Agreement dated May 11, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the STATE OF PUNJAB ("Punjab" or the "Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between India ("Borrower") and the Bank. The Bank and Punjab hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. Punjab declares its commitment to the objectives of the Project. To this end, Punjab shall carry out the Project, through its Department of Water Supply and Sanitation, in accordance with the provisions of Article V 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 Bank and the Borrower shall otherwise agree, Punjab shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. Punjab’s Representative is Additional Chief Secretary, Department of Water Supply and Sanitation and any successor thereto.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America
3.03. Punjab's Address is:

Additional Chief Secretary
Department of Water Supply and Sanitation

Room Number 219, Second Floor,
Punjab Civil Secretariat II, Sector 9
Chandigarh, India 160009

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Michael Haney

Title: Acting Country Director

STATE OF PUNJAB

By

[Signature]

Authorized Representative

Name: Sumeet Kumar

Title: Addl. Chief Secretary

[Date] 11.5.2015
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Punjab shall ensure that its government departments and agencies, including its Department of Water Supply and Sanitation and the Gram Panchayat Water and Sanitation Committees carry out the Project in accordance with the Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the Technical Manual, the Environmental Management Framework, any Environmental Management Plan, the Social Management Plan, and any Resettlement Action Plan(s).

2. Punjab shall staff and maintain the Department of Water Supply and Sanitation with such resources, policies, powers, functions, resources, and expertise, acceptable to the Bank, as required to carry out the Project and exercise the general oversight of the implementation of Project activities.

3. Punjab shall cause the Department of Water Supply and Sanitation to make appropriate contractual arrangements to deliver water and sanitation services under the Project in accordance with terms and conditions agreed with the Bank.

4. Without limitation on the provisions of Section 2.01 of this Agreement, Punjab shall make the proceeds of the Financing available to the Department of Water Supply and Sanitation within fourteen (14) days of its receipt of such proceeds from the Borrower.

5. Punjab shall ensure that any village or Gram Panchayat that participates in the Project is selected in accordance with the agreed eligibility criteria included in the Project Implementation Plan.

6. Individual beneficiaries will be responsible for constructing household toilets under Part B.3 of the Project. The activity will be facilitated by a district sanitation cell through the Gram Panchayat Water and Sanitation Committees and verified by an independent agency. The designated district executive engineer will make available financing for construction activities to the beneficiaries in accordance with the Financial Manual.

7. Punjab will formulate and adopt a statewide water-supply operations and maintenance policy to ensure full-cost recovery of schemes managed by the Department of Water Supply and Sanitation and improve the department's collection efficiency to 80% by September 30, 2018.
8. Punjab will adopt agreed sector wide approach to ensure consistent implementation of policies and procedures for water supply and sewerage schemes irrespective of the source of financing.

B. Anti-Corruption

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

C. Plans and Safeguards

1. Punjab shall ensure that its government departments and agencies, including its Department of Water Supply and Sanitation and Gram Panchayat Water and Sanitation Committees carry out the Project in accordance with the Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan, the Technical Manual, the Environmental Management Framework, any Environmental Management Plan, the Social Management Action Plan, and any Resettlement Action Plans.

2. Whenever an Environmental Management Plan or Resettlement Action Plan shall be required for any proposed Project activity in accordance with the provisions of the Environmental Management Framework or the Social Management Action Plan, Punjab shall:

(a) prior to the commencement of such activity, proceed to have such Environmental Management Plan or Resettlement Action Plan, as the case may be: (i) prepared in accordance with the provisions of the Environmental Management Framework or the Social Management Action Plan, as applicable; (ii) furnished to the Bank for review and approval; and (iii) thereafter adopted and disclosed as approved by the Bank, in a manner acceptable to the Bank;

(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Environmental Management Plan and/or Resettlement Action Plan; and

(c) in the case of any resettlement activity under the Project, ensure that no displacement shall occur before necessary resettlement measures consistent with the Resettlement Action Plan applicable to such activity have been executed, including, in the case of displacement, full payment to Displaced Persons of compensation and of other assistance required for relocation, prior to displacement.
3. Punjab shall, through district sanitation cells and Gram Panchayat Water and Sanitation Committees, ensure that individual household toilets under Part B.3 of the Project are designed and constructed in accordance with appropriate environmental and social standards prescribed in the Project Implementation Plan and the Technical Manual.

4. Punjab shall ensure that the Project is implemented using, to the extent practicable, available land that will not result in Displaced Persons. 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 Bank, including, \textit{inter alia}, those set forth in any Resettlement Action Plan(s).

Section II. \textbf{Project Monitoring, Reporting and Evaluation.}

A. \textbf{Project Reports}

1. Punjab shall monitor and evaluate, in a manner acceptable to the Bank, the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators agreed with the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower and to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. Punjab shall provide to the Borrower not later than four months after the Closing Date for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. \textbf{Financial Management, Financial Reports and Audits}

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

2. Without limitation on the provisions of Part A of this Section, Punjab shall prepare and furnish to the Bank not later than forty-five (45) 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 Bank.

3. Punjab shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall
cover the period of one fiscal year of Punjab. Punjab shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than nine (9) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III.  Procurement

All goods, works, and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.