Global Environment Facility
Grant Agreement

(Uttarakhand Decentralized Watershed Development Project)
Additional Financing

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
(acting as an Implementing Agency of the Global Environment Facility)

Dated August 26, 2009
GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT


Whereas (A) through Development Credit Agreement Number 3907-IN, dated July 30, 2004 (“Original Credit Agreement”), the International Development Association (“IDA) is currently assisting in the financing of the Uttarakhand Decentralized Watershed Development Project (“Original Project”) as described in Schedule 2 to the Original Credit Agreement;

Whereas (B) the Original Project is part of the Sustainable Land and Ecosystem Management Partnership Program, agreed with the Recipient and supported by GEF (“Program”);

Whereas (C) the Recipient has requested the World Bank, acting as an implementing agency of the GEF, to provide additional assistance towards the financing of the Original Project through a GEF Grant.

Whereas (D) the purpose of the GEF Grant is to scale up the Original Project in order to restore and sustain ecosystem functions and biodiversity while simultaneously enhancing income and livelihood functions, and generating lessons learned in these respects that can be scaled up and mainstreamed at the state and national levels.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard 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 Standard Conditions, the Original Credit Agreement and/or in this Agreement.
Article II
The Grant

2.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seven million four hundred ninety thousand Dollars ($7,490,000) (“Grant”) to assist in financing Parts A, B and C of the Original Project (the “Project”).

2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 1 to this Agreement.

2.03. The Grant is funded out of the GEF Trust Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article III
The Project

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the State of Uttarakhand (“the State”), through its Watershed Management Directorate, to carry out the Project in accordance with the provisions of Article II of the Standard Conditions and the provisions contained in the agreement of even date herewith, between the World Bank and the State, as such agreement may be amended from time to time (“GEF Project Agreement”).

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Section I of the Schedule to the GEF Project Agreement.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:

(a) the Recipient has taken or has permitted to be taken any action which would prevent or interfere with the performance by the State of its obligations under the GEF Project Agreement;

(b) the State has failed to perform any obligation under the GEF Project Agreement;
(c) at any time, the World Bank determines that any representative of the State has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur;

(d) as a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the State will be able to perform its obligations under the Project Agreement;

(e) the World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred; and

(f) any event has occurred which gives the World Bank a right of suspension under the Original Credit Agreement.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below has been satisfied, namely that:

(a) the GEF Project Agreement has been executed by the parties thereto; and

(b) the execution and delivery of this Agreement and on behalf of the Recipient, and of the GEF Project Agreement on behalf of the State, have been duly authorized and ratified by all necessary governmental, corporate or agency action.

5.02. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.
Article VI
Recipient's Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

6.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable: Telex: Facsimile:
ECOFAIRS 953-31-66175 91-11-23092477
New Delhi FINE IN

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:
INTBAFRAD 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
(acting as an Implementing Agency of the
Global Environment Facility)

By /s/ N. Roberto Zagha
Authorized Representative
SCHEDULE

Project Execution

Section I. Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant to the State on a grant basis, under terms and conditions satisfactory to the World Bank.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”) and the GAAP.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06(b)(i) of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than six (6) weeks after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06(b)(ii) of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
Section III. Procurement

1. Procurement and Consultant Guidelines. All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”); and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”); and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services (including goods, works and consultant’s services under Sub-projects) and Incremental Operating Costs under the Project</td>
<td>7,490,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,490,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Period

The Closing Date referred to in Section 3.06(c) of the Standard Conditions is August 31, 2013.
APPENDIX

Definitions

1. “GAAP” means the governance and accountability action plan adopted by the State on April 17, 2009, which sets out the key actions to be undertaken by the State to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time with the prior consent of the World Bank.

2. “ESMF” means the State’s Environmental and Social Safeguards Management Framework, dated February 21, 2004 for the purposes of the Project, providing overall guidance in identifying and assessing environmental and social issues and impacts, and in drawing, as appropriate, plans of actions for safeguard management.

2. “Operations Manual” means the State’s Operations Manual for the Project, March, 2004 and revised on May, 2009 for the purposes of the Project, which, *inter alia*, details the guidelines and procedures to govern the implementation, supervision and monitoring of the Project.