Project Agreement

(Additional Financing for the Karnataka Health System Development and Reform Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF KARNATAKA

Dated November 21, 2012
PROJECT AGREEMENT

Agreement dated November 21, 2012, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and STATE OF KARNATAKA ("Karnataka" or "Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between INDIA ("Recipient") and the Association. The Association 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) 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. Karnataka declares its commitment to the objectives of the Project. To this end, Karnataka shall: (a) carry out Part 1, Part 2(a), (b)(ii), and Part 3 of the Project through DOHFW; and (b) carry out Part 2(b)(i) of the Project through SAST, all in accordance with the provisions of Article IV 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 Association and Karnataka shall otherwise agree, Karnataka shall carry out the Project in accordance with the provisions of Schedule 1 and 2 to this Agreement.

ARTICLE III— REPRESENTATIVE; ADDRESSES

3.01. Karnataka’s Representative is its Chief Secretary or such other person or persons as he or she shall designate in writing.

3.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America
Facsimile:
1-202-477-6391

3.03. Karnataka’s Address is:

Chief Secretary
Government of Karnataka
Karnataka, India

Facsimile:
+91 80-22252442

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Michael Haney
Title: Operations Advisor

KARNATAKA

By

Authorized Representative

Name: Vishal R.
Title: Project Administrator, KHSR.
SCHEDULE 1

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Karnataka shall carry out the Project in accordance with the EMP, FMM, PIP, VCHP and the Implementation Program set forth in Schedule 2 to this Agreement, and shall not amend or waive any provision of the EMP, FMM, PIP and VCHP except as the Association shall otherwise agree.

2. Karnataka shall make available to DOHFW and SAST, in a timely manner and under arrangements agreed with the Association, the proceeds of the Financing made available to Karnataka by the Recipient for purposes of the Project, as well as additional funds as required from Karnataka's own resources to cover Karnataka's share of the cost of the Project.

B. Anti-Corruption

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

C. Safeguards.

Karnataka shall:

(a) ensure that any private lands needed to carry out works under the Project shall be provided by the land's owner in a voluntary manner, in accordance with arrangements satisfactory to the Association;

(b) not commence the carrying out of any works in any location for which clear title is not already available; and

(c) to the extent practicable, ensure that any land to be made available by the owner in a voluntary manner shall be free from any encumbrances and encroachment, and that no involuntary resettlement shall arise from the use of such land under the Project.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Karnataka shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the 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 by Karnataka to the Association not later than sixty (60) days after the end of the period covered by such report.

2. Karnataka shall provide to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request for incorporation in the report referred to in Section 4.08(c) of the General Conditions.

B. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, Karnataka shall prepare and furnish to the Association not later than sixty (60) days after the end of each quarter Interim Unaudited Financial Reports (IUFR) for the Project covering said period, in form and substance satisfactory to the Association.

3. Karnataka shall have the Project’s Financial Statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these Financial Statements shall cover the period of one financial year of Karnataka. Karnataka shall ensure that the audited Project Financial Statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
For the purpose of managing the implementation of the Program and the Project, Karnataka shall:

(a) maintain, throughout the period of Project implementation, a Project governing board in a form and with functions satisfactory to the Association, which shall be responsible for, *inter alia*, providing overall policy guidance for the Project;

(b) maintain, throughout the period of Project implementation, a Program steering committee, in a form and with functions satisfactory to the Association, which shall be responsible for, *inter alia*, planning and managing activities under the Program, and supervising and monitoring Program implementation;

(c) maintain, throughout the period of Project implementation, a State Project management unit, in form and with functions satisfactory to the Association, which shall be responsible for, *inter alia*, overall management, implementation, monitoring and evaluation of the activities under the Project, and facilitating co-ordination with DPMUs; and

(d) cause each District to establish, and thereafter maintain throughout the period of Project implementation, a District Project management unit, in form and with functions satisfactory to the Association, which shall be responsible for, *inter alia*, overall implementation, monitoring and evaluation of Project activities within such District.