Project Agreement

(Additional Financing for Rajasthan Water Sector Restructuring Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF RAJASTHAN

Dated May 21, 2010
PROJECT AGREEMENT

AGREEMENT dated May 21, 2010 entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the STATE OF RAJASTHAN ("Rajasthan" 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. Rajasthan declares its commitment to the objectives of the Project. To this end, Rajasthan shall carry out the Project 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 Rajasthan shall otherwise agree, Rajasthan shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. Rajasthan Representative is the Chief Secretary to the Government of Rajasthan.

3.02. The Association’s Address is:

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

Facsimile:
1-202-477-6391
3.03. The Project Implementing Entity’s Address is:

Chief Secretary
Government of Rajasthan
Secretariat
Jaipur, Rajasthan 302005
India

Facsimile:

91-141-2227114

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ R. S. Pathak
Authorized Representative

STATE OF RAJASTHAN

By /s/ Ram Lubhaya
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Rajasthan shall cause its government departments and agencies to carry out the Project in accordance with the Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan and the ESMF, and shall not amend or waive any provision of the Project Implementation Plan, the Financial Management Manual, the Procurement Manual, the Procurement Plan and the ESMF, except as the Association shall otherwise agree.

2. Rajasthan shall, at all times during Project implementation, continue to staff and maintain the PMU in a manner satisfactory to the Association. The PMU shall continue to be headed by a project director and comprised of such staff and personnel that are necessary for carrying out the Project.

3. Rajasthan shall take necessary and appropriate actions to ensure that adequate allocations are included in the State budget for annual counterpart funds to implement the Project.

4. Rajasthan shall, by no later than April 30 of each year during Project implementation, take necessary actions to ensure that adequate allocations are included in the State budget to satisfy full annual operational and maintenance requirements of Rajasthan’s water system.

B. Anti-Corruption

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

C. Safeguards

Rajasthan shall:

(a) carry out the Project in accordance with the agreed ESMF in a manner satisfactory to the Association;

(b) implement mitigation measures set forth in ESMF in a manner satisfactory to the Association; and
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Rajasthan 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 to the Association not later than two (2) weeks after the end of the period covered by such report for incorporation and forwarding by Rajasthan to the Association of the overall Project Report.

2. Rajasthan shall provide to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request with respect to the report referred to in Section 4.08 of the General Conditions.

3. Rajasthan shall continue to maintain at all times during the implementation of the Project, the M&E Agency. The M&E Agency shall continue to monitor and prepare monitoring reports satisfactory to the Association and also conduct evaluation and prepare reports to assess the Project’s implementation and its progress in achieving its development objectives.

4. Rajasthan shall cause the PMU to furnish to the Association for their review and approval, by December 31 of each year until completion of the Project, commencing on December 31, 2010 an annual action plan for the Project for the following financial year and proceed thereafter to coordinate the carrying out of the annual action plan taking into account the Association’s comments.

B. Financial Management, Financial Reports and Audits

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

2. Rajasthan shall have its 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
Rajasthan. The audited financial statements for each period shall be furnished to the Association not later than six (6) 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 shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.