Project Agreement

(Punjab Rural Water Supply and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF PUNJAB

Dated February 26, 2007
PROJECT AGREEMENT

AGREEMENT, dated February 26, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and STATE OF PUNJAB (“Project Implementing Entity”), (“Project Agreement”) in connection with the Financing Agreement of same date between INDIA (“Recipient”) and the Association (the “Financing Agreement”). 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 in the Project Agreement have the meaning ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II – PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall:

(a) carry out the Project through DWSS in accordance with the provisions of Article IV of the General Conditions;

(b) provide promptly as needed the funds, facilities, services and other resources required for the Project; and

(c) cause DWSS to provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation on the provisions of Section 2.01 of this Agreement, the Project Implementing Entity shall make the proceeds of the Financing available to DWSS within fourteen (14) days of its receipt of such proceeds from the Borrower.

2.03. Without limitation on the provisions of Sections 2.01 and 2.02 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.
ARTICLE III – TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Chief Secretary of the Government of Punjab.

4.02. The Association’s Address is:

For the Association:

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

Cable address: Telex: Facsimile:
INDEVAS 248423 (MCI) (202) 522-1709
Washington, D.C. 64145 (MCI)

4.03. The Project Implementing Entity’s Address:

For Punjab:

Chief Secretary
Government of Punjab
Punjab Civil Secretariat
Chandigarh 160001
India

Facsimile and Telephone: ++91 172 2740156
AGREED at New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rachid Benmessaoud
   Acting Regional Vice President

STATE OF PUNJAB

By /s/ Vijay Kain
   Authorized Representative
SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

1. (a) The Project Implementing Entity shall, throughout Project implementation, maintain the SWSM, responsible for overall policy setting, RWSS sector program development, annual plan and budget approvals, and SWAp Program implementation, coordination, and monitoring.

   (b) The SWSM shall be chaired by the Chief Secretary and the Secretary in-charge of DWSS shall be the Member Secretary.

   (c) The SWSM shall include: a representative of the Recipient’s Drinking Water Department, Ministry of Rural Development; Secretaries in-charge of other relevant departments of the Project Implementing Entity; and three RWSS sector experts.

2. The Project Implementing Entity shall, satisfactory to the Association, throughout Project implementation, take all necessary steps to ensure that the SWAp Program is implemented consistent with the Project objective referred to in Schedule 1 of the Financing Agreement, and to that end, shall, and shall cause DWSS to implement the Project in accordance with its RWSS Sector Policy and the provisions set forth in the PIP and OM wherein:

   (a) At the state level, the DWSS shall maintain:

      (i) the SPMC: (A) headed by the Secretary in-charge of DWSS, assisted by a Program Director, and staffed with multi-disciplinary personnel with expertise in financial management, human resources, community participation, monitoring and evaluation, water supply and sanitation engineering, sanitation and hygiene promotion, procurement, and communications; and (B) responsible for providing statewide leadership, collaboration and management of the RWSS sector in Punjab with functions that include activities related to, inter alia: overall SWAp Program planning and management; capacity building; information dissemination campaigns; community empowerment and participation; procurement and financial management; and sector performance monitoring and evaluation.

   (b) At the district level, the DWSS shall maintain in each of the Project Implementing Entity’s districts:
a DPMC: (A) headed by a Superintending Engineer of the DWSS. The Project Implementing Entity shall provide each DPMC with sufficient resources and adequate staff to carry out the Project activities; and (B) responsible for providing district-wide leadership, collaboration and management of the RWSS sector in the relevant district with functions that include district level activities related to, *inter alia*: overall SWAp Program planning and management; capacity building; information dissemination campaigns; community empowerment and participation; procurement and financial management; sector performance monitoring and evaluation; the facilitation of the transfer of Credit proceeds to GPWSC and DWSS divisions involved in the carrying out of the Project; and SWAp Program reporting activities to the SPMC; and

(ii) a DWSC: (A) responsible for the provision of district-wide leadership, management, and monitoring of the SWAp Program, including the preparation and submission of a District Annual Plan, with budget estimates, to the SWSM by October 31 of each Fiscal Year, commencing October 31, 2007 in respect of village selections and scheme activities to be carried out under Part C of the Project; (B) headed by the chairperson, Zilla Parishad, and have as members the deputy commissioner, district level heads of relevant departments, sector experts and representatives of civil societies.

(c) At the district level, the DWSS shall have overall responsibility for the implementation and management of all investment scheme activities carried out under Part C of the Project, excluding all single village water supply schemes and intra village works of all multi village water supply schemes.

(d) (i) At the GP level, for each GP participating in the carrying out of activities under Part C of the Project, the Project Implementing Entity shall take all necessary measures to ensure that a GPWSC is established in a timely manner, satisfactory to the Association, and thereafter maintained.

(ii) In respect of each such GP, Project Implementing Entity shall ensure that the relevant GPWSC shall be responsible for the planning, procurement, construction, financial management, and operation and maintenance related to new, and the upgradation activities related to, single-village water supply schemes and intra village works of the multi village water supply schemes carried out under Part C of the Project, all in a manner and
substance consistent with the provisions of the Financing Agreement and this Agreement.

3. The Project Implementing Entity shall take all necessary steps to:

(a) implement the Project in accordance with the PIP and OM, the Technical Manual, the Procurement Manual, Procurement Plan, the Financial Management Manual, and the Transparency and Accountability Plan, and not take any action which shall prevent or interfere with such implementation; and

(b) maintain the PIP and OM, the Technical Manual, the Procurement Manual, the Procurement Plan, the Financial Management Manual, and the Transparency and Accountability Plan, and shall not revise, amend or abrogate any such manual or plan without the prior approval of the Association.

Section II. Other Covenants

1. In carrying out Parts B and C of the Project, the Project Implementing Entity shall:

(a) select activities, investment schemes and villages in accordance with criteria satisfactory to the Association;

(b) recruit and retain qualified and competent SOs for the purpose of providing community development support to the GPs and GPSWCs; and

(c) ensure that appropriate arrangements are entered into, satisfactory to the Association, among the relevant parties, setting out, *inter alia*, the respective roles and responsibilities of the parties, the funds flow arrangements, procurement procedures, auditing and cost-sharing arrangements.

2. In addition to requirements in Para 1 above, in carrying out Part C.2 of the Project, the Project Implementing Entity shall ensure that the operations and management and the financing responsibilities of selected single village water supply schemes and intra village works of selected multi village water supply schemes are transferred from DWSS to the relevant GP and GPWSC in accordance with a time-bound action plan, satisfactory to the Association.

3. In addition to requirements in Para 3 above, in carrying out Part C.3 of the Project, the Project Implementing Entity shall ensure that: (i) appropriate capital cost sharing arrangements are implemented in respect of the users and GP for each community sanitation scheme; and (ii) all village level activities for which Financing
proceeds are provided are based upon demand-responsive approaches, satisfactory to the Association.

4. For all RWSS sector investment schemes, regardless of the source of financing, the Project Implementing entity shall take all necessary steps to ensure that such schemes are consistent with its SWAp Program and its implementation strategy, as agreed with the Association, and that the number of ongoing RWSS sector investments financed outside the SWAp Program are reduced during the period of Project implementation such that the amount of investments in such schemes does not at any time exceed Rs. 4,760,000,000.

Section III. Environmental and Social Safeguards Management

1. Prior to the carrying out of any works under an investment scheme under Part C of the Project, the Project Implementing Entity shall ensure that the relevant environmental assessment and environmental management plan, and all other necessary mitigation measures, acceptable to the Association, are prepared and finalized in accordance with the EMF; and thereafter ensure that said investment scheme is carried out in accordance with the relevant environmental assessment and environmental management plan, satisfactory to the Association.

2. The Project Implementing Entity shall ensure that:
   
   (a) the Project shall be implemented, as far as reasonably practicable, using exclusively land free from squatters, encroachments or other encumbrances, and without recourse to the compulsory acquisition of land, forcible eviction, or involuntary resettlement of persons; and
   
   (b) where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken in accordance with policies and procedures acceptable to the Association.

Section IV. Project Monitoring, Reporting, Evaluation

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one fiscal year, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.

2. The Project Implementing Entity shall take all necessary steps to ensure that:
   
   (a) not later than December 31 in each Fiscal Year during implementation of the Project, it furnishes, or causes to be furnished to the Association for its review and comments a proposed annual work program and budget for the next following Fiscal Year, giving details of its proposed work
program activities and budget estimates for the Project for the forthcoming Fiscal Year; and

(b) it implements said annual work program and budget in a timely and efficient manner, taking into account such comments as may have been made thereon by the Association.

3. Not later than 60 days after the end of each calendar quarter, beginning not later than 60 days after the end of the first calendar quarter after the Effective Date, the Project Implementing Entity shall submit, or cause to be submitted, to the Association consolidated quarterly reports on the progress of the Project, according to a format acceptable to the Association.

Section V. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall, acceptable to the Association:

(a) 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 the Project Implementing Entity, including the operations, resources and expenditures related to the Project; and

(b) cause each of the SPMC, DPMCs, DWSS divisions and GPWSCs to 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 its operations and financial condition, including its operations, resources and expenditures related to the Project.

2. The Project Implementing Entity 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 Fiscal Year of the Project Implementing Entity. The Project Implementing Entity shall provide to the Association the consolidated financial statements for each period and a consolidated report of the Project audit not later than six (6) months after the end of the period.

Section VI. Procurement

All goods, works, consultant services and services other than consultant 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 Schedule 2 to the Financing Agreement.