Project Agreement

(Dam Rehabilitation and Improvement Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF KARNATAKA

Dated November 22, 2014
PROJECT AGREEMENT

AGREEMENT dated November 22, 2014, entered into among
INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"),
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
("Bank") and STATE OF KARNATAKA ("Participating State") ("Project Agreement").

Whereas by a loan agreement dated December 21, 2011 between India
("Borrower") and the Bank ("Loan Agreement"), the Bank made a loan to the Borrower
in an amount equal to one hundred seventy five million Dollars ($175,000,000) ("Loan")
on the terms and conditions set forth in the Loan Agreement, and by a financing
agreement dated December 21, 2011 between the Borrower and the Association
("Financing Agreement"), the Association made a credit to the Borrower in an amount
equal to one hundred fifteen million nine hundred thousand Special Drawing Rights
(SDR 115,900,000) ("Credit"), on the terms and conditions set forth in the Financing
Agreement, but only on condition that each Participating State agrees to undertake such
obligations toward the Bank and the Association as are set forth in the Project Agreement
dated December 21, 2011 among the Association, the Bank, State of Kerala, State of
Madhya Pradesh, State of Orissa and State of Tamil Nadu, Loan Agreement and
Financing Agreement, respectively, and in this Agreement.

The Project will be carried out in part by the Participating States with the
Borrower's assistance and, as part of such assistance, the Borrower shall make available
to each Participating State a part of the proceeds of the Loan and a part of the proceeds
of the Credit, as provided for in the Loan Agreement and Financing Agreement,
respectively.

The Participating State, in consideration of the Bank's entering into the Loan
Agreement with the Borrower, and the Association's entering into the Financing
Agreement with the Borrower, has agreed to undertake the obligations set forth in this
Agreement.

Now therefore, the Association, the Bank and the Participating State hereby
agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The "International Bank for Reconstruction and Development General
Conditions for Loans", dated July 1, 2005 (as amended through February 12,
2008) ("IBRD General Conditions") and the "International Development
Association General Conditions for Credits and Grants", dated July 1, 2005 (as
amended through October 15, 2006) ("IDA General 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 Loan Agreement, the Financing Agreement, the IBRD General Conditions or the IDA General Conditions.

ARTICLE II—PROJECT

2.01. The Participating State declares its commitment to the objective of the Project. To this end, the Participating State shall carry out its Respective Part of the Project in accordance with the provisions of Article IV of the IDA General Conditions and the provisions of Article V of the IBRD General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank, the Association and the Participating State shall otherwise agree, the Participating State shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III—REPRESENTATIVE; ADDRESSES

3.01. The Participating State’s Representative is its Chief Secretary.

3.02. The Association’s and the Bank’s address is:

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

Facsimile:

1-202-477-6391

3.03. The Participating State’s address is:

Office of the Chief Secretary,  
Government of Karnataka  
Vidhana Soudha, 3rd Floor,  
Bangalore, 560 001  
Karnataka, India  
Facsimile: 080- 22258913”
AGREED at Bangalore, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By
Authorized Representative

Name: ONNO RUHL
Title: COUNTRY DIRECTOR, INDIA

FOR AND ON BEHALF OF GOVERNOR
STATE OF KARNATAKA

By
Authorized Representative

Name: SADASHIVA REDDY-B.PATIL
Title: Chief Engineer
Water Resources Development Organisation, Ananda Res. Circle,
Bangalore-560 009.
SCHEDULE

Execution of the Project

Section I. Implementation, Institutional and Other Arrangements

A. Institutional Arrangements

Without limitation upon the provisions of Section 3.01 of the Loan Agreement and of the Financing Agreement, the Participating State shall:

1. carry out its Respective Part of the Project through its Water Resources Department (with the assistance of its Dam Safety Organization), all in accordance with the Project Implementation Plan.

2. maintain a project implementation plan, satisfactory to the Bank and the Association, containing, inter alia, specific provisions on detailed arrangements for the carrying out of the Project, including:

   (a) guidelines governing the procurement, financial management and disbursement processes under the Project;

   (b) criteria for the identification, selection and planning of dam rehabilitation and improvement activities under the Project;

   (c) the ESMF, GAAP, Procurement Plan and Financial Management Manual; and

   (d) the Key Performance Indicators.

3. not amend, delete or waive any provision of the Project Implementation Plan without the prior written agreement between the Participating State and the Bank and the Association.

4. maintain, at all times during Project implementation, the Dam Safety Organization within its Water Resources Department.

5. maintain, at all times during Project implementation, a State Project Management Unit in the Participating State, with functions and responsibilities acceptable to the Bank and the Association, including, inter alia, the responsibility of said units to coordinate and monitor the carrying out of the Project.

6. ensure that the State Project Management Unit is, at all times during Project implementation, led by a project director and is assisted by adequate professional and administrative staff (including procurement, financial management,
environmental and social development specialists), in numbers and with experience and qualifications agreed to between the Participating State and the Bank and the Association, and operating under terms of reference agreed to between the Participating State and the Bank and the Association.

7. not use any Project funds to increase the designed storage capacity of reservoirs.

B. Anti-Corruption

The Participating State shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

C. Social and Environmental Safeguards

The Participating State, through its Water Resources Department, shall:

1. carry out the Project in accordance with the ESMF in a manner satisfactory to the Bank and the Association.

2. ensure that the environmental and social screening criteria are updated regularly, and are at all times consistently and satisfactory applied.

D. Other

The Participating State shall:

1. ensure that, for each independent activity consisting of improvement and rehabilitation works under Part A of the Project, a template which summarizes information on technical, environmental, social, and implementation-related information aspects of such activity is prepared.

2. ensure that, prior to the carrying out of any improvement and rehabilitation works under Part A of the Project, the Bank and the Association have approved the template referred to in paragraph 1 of this Section.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Participating State shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the IDA General Conditions and Section 5.08(b) of the IBRD 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 Central Water Commission not later than four (4) weeks after the end of the period covered by such report for incorporation into the overall Project Report to be forwarded by the Borrower/Recipient, through its Central Water Commission, to the Bank and the Association.

2. The Participating State shall provide to the Borrower/Recipient, not later than September 30, 2018, for incorporation in the report referred to in Section 4.08(c) of the IDA General Conditions and Section 5.08(c) of the IBRD General Conditions all such information as the Borrower/Recipient, the Bank or the Association shall reasonably request for the purposes of such Sections.

B. Financial Management, Financial Reports and Audits

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

2. The Participating State shall have its financial statements referred to above audited, by independent auditors acceptable to the Bank and the Association, in accordance with consistently applied auditing standards acceptable to the Bank and the Association. Each audit of these financial statements shall cover the period of one (1) financial year of the Participating State. The audited financial statements for each period shall be furnished to the Central Project Management Unit, the Bank and the Association not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works and services required for the Participating State’s Respective Part of the Project and to be financed out of the proceeds of the Loan and the Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement and Section III of Schedule 2 to the Loan Agreement.