Project Agreement

(Additional Financing for Himachal Pradesh Mid-Himalayan Watershed Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF HIMACHAL PRADESH

Dated November 20, 2012
CREDIT NUMBER 5159-IN

PROJECT AGREEMENT

Agreement dated November 20, 2012, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and STATE OF HIMACHAL PRADESH ("Himachal Pradesh" 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. Himachal Pradesh declares its commitment to the objectives of the Project. To this end, Himachal Pradesh shall carry out the Project through NRMS 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 Himachal Pradesh shall otherwise agree, Himachal Pradesh shall carry out the Project through NRMS in accordance with the provisions of Schedule 1 and 2 to this Agreement.

ARTICLE III— REPRESENTATIVE; ADDRESSES

3.01. Himachal Pradesh’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. Himachal Pradesh’s Address is:

Chief Secretary
Government of Himachal Pradesh
Himachal Pradesh, India

Facsimile:
+91 177-2621902

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 Adviser

HIMACHAL PRADESH

By

Authorized Representative

Name: S. Bharat Singh
Title: Principal Secretary (Forests)
SCHEDULE 1

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Himachal Pradesh, through NRMS, shall carry out the Project in accordance with the Operations Manual, the Implementation Program set forth in Schedule 2 to this Agreement, the ESMF and any and all plans developed thereunder, IPMP and TTS, and shall not amend or waive any provision of the Operations Manual, the ESMF, IPMP and TTS, except as the Association shall otherwise agree.

2. Himachal Pradesh shall make available to Beneficiaries in a timely manner and on a grant basis part of the proceeds of the Financing made available to Himachal Pradesh by the Recipient for purposes of carrying out Subprojects, as well as additional funds as required from Himachal Pradesh's own resources to cover Himachal Pradesh's share of the cost of the Project.

B. Anti-Corruption

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

C. Safeguards.

Himachal Pradesh, through NRMS, shall:

1. Submit to the Association semi-annual progress reports on compliance with social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the ESMF, IPMP and TTS, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF, IPMP and TTS, and remedial measures taken or required to be taken to address such conditions.

2. Ensure that the Project shall be implemented, as far as reasonably practicable, using exclusively land free from squatters, encroachments or other encumbrances, and without recourse to compulsory acquisition of land, forcible eviction or involuntary resettlement of persons.

3. Ensure that, where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken in accordance with guidelines and procedures acceptable to the Association.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. Himachal Pradesh 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 Himachal Pradesh to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. Himachal Pradesh 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. Himachal Pradesh, through NRMS, 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, Himachal Pradesh shall prepare and furnish to the Association not later than forty-five (45) 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. Himachal Pradesh, through NRMS, 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 Himachal Pradesh. Himachal Pradesh shall ensure that the audited 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, including for all Subprojects, 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.
SCHEDULE 2

Implementation Program

Institutional Provisions

1. Himachal Pradesh shall:

(a) maintain NRMS, whose mandate, terms of reference and composition shall be acceptable to the Association, to provide overall guidance and policy support in the implementation of the Project, and facilitate inter-agency coordination; and

(b) maintain the Executive Committee of NRMS, as defined in the by-laws of NRMS, to be responsible for overall implementation of the Project, and a Chief Project Director to be responsible for the day-to-day management of the Project, including management of procurement and disbursement activities, consolidation of annual work programs and budgets, preparation and production of annual progress reports and financial statements, and monitoring and evaluation of the Project.

2. Himachal Pradesh shall ensure that:

(a) the Chief Project Director shall be assisted by adequate professional and administrative staff (including procurement, financial management, environmental and social experts) in numbers and with experience and qualifications acceptable to the Association; two regional resource units headed by Regional Project Directors and eleven Watershed Development Officers;

(b) in each of the districts included in the Project Area, a Watershed Development Officer at the level of a District level Officer shall be appointed to be responsible, respectively, for appraisal of GPWDPs, technical assistance and facilitation of Project implementation in their respective districts; and

(c) the positions referenced in sub paragraphs (a) and (b) above shall as far as reasonably practicable be kept filled at all times, throughout the implementation period of the Project, by suitably qualified and experienced persons.

3. Himachal Pradesh shall maintain throughout the implementation period of the Project, internal auditors having qualifications and experience acceptable to the Association, to be responsible under terms of reference acceptable to the Association for internal audits under the Project.
4. Himachal Pradesh shall maintain throughout the implementation period of the Project, a list acceptable to the Association of Gram Panchayats to carry out Subprojects for the purposes of the Project.

Terms and Conditions Governing Subprojects

5. Further to the provisions of Schedule 1, Section I.A. of this Agreement, Himachal Pradesh shall finance Subprojects on terms and conditions acceptable to the Association, including but not limited to the following:

(a) the amount so allocated shall be used exclusively to finance Subprojects in accordance with the criteria and procedures specified in the Operations Manual;

(b) the amount allocated for each Subproject shall be determined according to a pre-determined cost-sharing formula, which shall be acceptable to the Association, and specified in the Operations Manual;

(c) goods, works and services required for purposes of a Subproject shall be procured in accordance with procedures referred to in Section III of Schedule 1 to this Agreement; and

(d) for purposes of each Subproject, Himachal Pradesh shall sign an agreement (hereinafter referred to as Subproject Financing Agreement) with the Beneficiary on terms and conditions acceptable to the Association and in the form of the model set forth in the Operations Manual, setting forth the respective obligations of the parties thereunder, including:

(i) details of agreed disbursement schedules and procurement procedures;

(ii) a list of goods, works and services to be financed;

(iii) the amount of the Beneficiary's contribution, whether in cash or in kind, to the cost of the Subproject, including the Beneficiary's contribution to the Gram Panchayat Maintenance Fund; and

(iv) an undertaking on the part of the Beneficiary to execute the Subproject with due diligence and, upon its completion, to pay for its operation and maintenance.

Work Programs

6. Himachal Pradesh shall:

(a) not later than January 31 in each year, furnish 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) proceed thereafter to implement the annual work program and budget, taking into account such comments as may have been made thereon by the Association.