Project Agreement

(North Eastern Region Power System Improvement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

POWER GRID CORPORATION OF INDIA LIMITED

Dated Nov 28, 2016
PROJECT AGREEMENT

Agreement dated \( \text{Nov 28, 2016} \), entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the POWER GRID CORPORATION OF INDIA LIMITED ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between INDIA ("Borrower") and the Bank. The Bank 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 Loan 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide, promptly as needed, the funds made available to it pursuant to Section 1A of Schedule 2 to the Loan Agreement, as well as the 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 Bank 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 — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Executive Director (Business Development Department), or any other person he/she authorizes in writing.
3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Facsimile:
1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

Power Grid Corporation of India Limited
Corporate office
“Saudamini” Plot #, Sector 29,
Gurugram (Gurgaon) 122 001
Haryana, India

Facsimile:
+91-124-2571861
AGREED at New Delhi, India, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By ____________________________
Authorized Representative

Name: HISHAM ABDEL
Title: Acting Country Director, India

POWER GRID CORPORATION OF INDIA LIMITED

By ____________________________
Authorized Representative

Name: T.C. SARMACH
Title: Executive Director (BOD, JV & L)
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain throughout the period of Project implementation:

(a) the Central Project Implementation Unit headed by a representative of the Project Implementing Entity and composition agreed with the Bank; which unit shall be responsible for coordinating, monitoring and evaluating the overall implementation of Project activities; and

(b) PMC Project Implementation Units ("PPIUs") located in each of the Participating States; which units shall be: (i) headed by a Project Manager, and assisted by multi-disciplinary and competent staff, all with experience and qualifications, in numbers and under terms of reference agreed with the Bank, including at least one (1) environmental and social expert for each such unit in order to ensure compliance with the Safeguard Documents; and (ii) provided with such powers, financial resources, functions and competencies, agreed with the Bank, as shall be required for them to carry out the day-to-day implementation of Project activities within the Participating States of their respective jurisdictions, including periodic contractors review meetings. The PPIUs may also comprise seconded/deputed staff from the Respective Power Utilities/Departments of the relevant jurisdiction in order to foster the transfer of knowledge.

2. The Project Implementing Entity shall select and engage, by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, the services of an auditing consulting firm or auditing institute, with qualifications and experience and under terms of reference agreed with the Bank, in order to carry out semi-annual internal audits on: (i) financial management performance, procurement process and decisions and contract administration; (ii) contract performance (i.e., quality of construction, compliance with technical specifications, design requirements and maintenance plans); and (iii) monitoring, evaluation and reporting activities.

B. State Participation

1. For purposes of carrying out any activity under Component A of the Project in a Participating State, the Project Implementing Entity shall:
(a) carry out the Project in accordance with a Implementation/Participation Agreement between the Project Implementing Entity and the Respective Power Utility/Department of the Participating State, which provides that the civil works/activity will be performed, under terms and conditions satisfactory to the Borrower and the Bank;

(b) have publicly disclosed in its website, and ensured that the Participating State has adopted and publicly disclosed, both in its website and in the area where civil works/activities will be performed, an SS-ESPPF, satisfactory to the Bank;

(c) confirmed in writing that the Respective Power Utility/Department of the relevant Participating State has established a State Project Coordination Unit ("SPCU") with competent staff, with experience and qualifications, in numbers and under terms of reference acceptable to the Project Implementing Entity and the Bank, as shall be deemed necessary to coordinate and perform the responsibilities/obligations of the relevant Participating State and/or the Respective Power Utility/Department under the Implementation/Participation Agreement, including compliance with/implementation of the Safeguard Documents; and

(d) prepared, jointly with the respective Participating State a State-Specific Project Implementation Plan ("SS-PIP") for: (i) identifying those civil works/activities which meet the readiness and eligibility criteria acceptable to the Project Implementing Entity and the Bank for inclusion in the project; and (ii) the carrying out of those civil works/activities, including a detailed cost estimates and procurement packages to be tendered.

2. The Project Implementing Entity shall refrain from amending, suspending, revoking, annulling, waiving or voiding any of the Implementation/Participation Agreements, whether in whole or in part, without the prior written agreement of the Bank.

3. In the event that any provision of any of the Implementation/Participation Agreements was to be found inconsistent with any of the provisions of this Agreement or the Loan Agreement, the provisions of this Agreement as well as the Loan Agreement shall prevail.

4. For purposes of carrying out any activity under Component B of the Project in a Participating State, the Project Implementing Entity shall: (a) with each Participating State and/or Respective Utility/Department, prepare and thereafter implement a plan for such activities in a manner and substance (including terms of reference) agreed with the Bank.
C. Project Document

The Project Implementing Entity shall:

(a) implement the Project in accordance with the SS-PIP; provided, however, that in the event of conflict between any of the provisions of said manuals, on the one hand, and those of this Agreement and/or the Loan Agreement, on the other hand, the provisions of this Agreement and/or the Loan Agreement shall prevail; and

(b) refrain from amending, suspending, waiving, and/or voiding any provision of the SS-PIP, whether in whole or in part, without the prior written agreement of the Bank.

D. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Project Implementing Entity shall:

(a) carry out the Project in accordance with the SS-ESPPFs, IEARs, EMPs, the RAPs, CPTDs and TPDPs prepared, and/or to be prepared in form and substance satisfactory to the Bank, pursuant to paragraph 2 of this sub-section, in accordance with the objectives, policies, procedures, time schedules, compensation arrangements and other provisions set forth in the SS-ESPPFs (together, the “Safeguard Documents”), in each case in a manner and in substance agreed with the Bank;

(b) make its best efforts to ensure that the Participating States and their Respective Power Utilities/Departments carry out their responsibilities under their respective Implementation/Participation Agreements in accordance with the objectives, policies, procedures, time schedules, compensation arrangements and other provisions set forth in their respective SS-ESPPFs, IEARs, EMPs, RAPs, CPTDs and TPDPs; and

(c) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents by any of the Participating States, their Respective Power Utilities/Departments and/or the Project Implementing Entity itself, including any amendment, stay, suspension, waiver, annulment and/or voidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written agreement of the Bank.
2. With respect to each transmission line, substation or distribution network to be erected/built or augmented under Component A of the Project, the Project Implementing Entity shall refrain from commencing any civil works or undertaking any activities ancillary thereto, until and unless:

(a) the proposed activities/civil works have been screened by the Project Implementing Entity (in coordination with the respective SPCU), in accordance with the guidelines, standards and procedures set forth in the SS-ESPPF of the Participating State in which the asset will be located;

(b) the respective IEAR(s), EMP(s), RAP(s), CPTD(s) and/or TPDP(s), as required for such transmission line, substation or distribution network, pursuant to the applicable SS-ESPPF has/have been prepared and submitted to the Bank for review; and the Bank has notified the Project Implementing Entity and/or the Participating States in writing of its no-objection thereto; and

(c) the foregoing Safeguard Documents have been publicly disclosed by the Project Implementing Entity and the Participating States (through its Respective Power Utility/Department), in local language(s) at the relevant Project's sites, at least thirty (30) days prior to the award of the contract for the related works.

3. Prior to commencing any civil works for any transmission line, substation or distribution network under Component A of the Project, the Project Implementing Entity shall ensure that: (a) all necessary governmental permits and clearances for such civil works for such transmission line, substation or distribution network shall have been obtained from the competent governmental authority/ies and submitted to the Bank; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (c) all resettlement measures for the respective transmission/distribution substation, set forth in the applicable RAP shall have been fully executed, including the full payment of compensation for the land prior to displacement and/or the provision of relocation assistance to all Affected Persons, as per the entitlements provided in the SS-ESPPF and/or the applicable RAP.

4. Prior to commencing any civil works under a transmission line, the respective CPTD plan including the compensation and payment schedule thereunder shall have been agreed with the Bank.

5. The Project Implementing Entity shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor to comply
with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.

6. The Project Implementing Entity shall

(a) maintain monitoring and evaluation protocols and record keeping procedures agreed with the Bank and adequate to enable the Project Implementing Entity and the Bank to supervise and assess, on an ongoing basis, the implementation of/compliance with the Safeguards Documents, as well as the achievement of the objectives thereof;

(b) furnish to the Bank, throughout the period of Project implementation, quarterly reports, assessing compliance with the Safeguard Documents, monitoring the efficacy of the social and environmental management measures, and evaluating the results of the mitigation or benefit-enhancing measures applied; and

(c) unless otherwise agreed with the Bank, engage independent consultants with qualification and experience, and under terms of reference agreed with the Bank, in order to:

(i) carry out by no later than: (A) one hundred twenty (120) days as of completion of stage I clearances under the Forest (Conservation) Act, 1980 if the activities involve designated forest land; or (B) six (6) months after the contractors' completion of the detailed survey for final placement/route alignment for any civil works, in the case of activities not involving designated forest land, a final environmental assessment report ("FEAR") setting forth the actual impact of Project activities, the results of stakeholders consultations, the clearances obtained and status of compliance with any conditions attached therewith, and the mitigation processes/measures taken or set in place to minimize or avoid any negative environmental impact of Project activities, all in accordance with the processes and requirements set forth in the respective SS-ESPPF(s) and IEAR(s); and

(ii) thereafter, within fifteen (15) days of completion of each such FEAR: (A) submit such reports to the Bank for consideration and disclosure by the Bank; and (B) thereafter publicly disclose such reports in a similar fashion as the disclosure of the Safeguard Documents.

7. The Project Implementing Entity shall make its best efforts to ensure that each Participating State has established by no later than three (3) months after the
Effective Date, and thereafter maintains and operates throughout the period of Project implementation, a grievance redress mechanism as incorporated in SS-ESPPF and agreed by the Bank for the handling of any stakeholder complaints arising out of the implementation of Project activities.

8. In the event of any conflict between any of the provisions of any of the SS-ESPPFs, IEAR(s), EMP(s), RAP(s), CPTD(s) and/or TPDP(s), on the one hand, and any of the provisions of this Agreement or the Loan Agreement, on the other hand, the provisions of this Agreement and the Loan Agreement shall prevail.

F. Ineligible Expenditures

The Project Implementing Entity shall ensure that the following Project expenditures are financed exclusively out of the Borrower’s own resources and not out of the proceeds of the Loan, namely:

(a) all land acquisition required for the purpose of the Project;

(b) any compensation, resettlement and rehabilitation payment to Affected Persons in accordance with the provision of the RAPs and/or CPTDs;

(c) any consultancy fee to be paid to the Project Implementing Entity on account of its carrying out the Project;

(d) any taxes levied by the Participating States;

(e) any compensatory afforestation payments;

(f) any interest during construction (IDC); and

(g) activities to be carried out under Component B of the Project.

G. Asset Transfer

The Project Implementing Entity shall take all actions required on its part to transfer to each Participating State, in a manner satisfactory to the Bank, the ownership and the maintenance of the assets created under the Project upon their commissioning.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

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 5.08 (b) of the General Conditions and on the basis of indicators agreed with the Bank. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Borrower and the Bank not later than sixty (60) days after the end of the period covered by such report.

2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 5.08 (c) of the General Conditions; and (b) furnish it to the Borrower and the Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, 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.

2. Without limitation on the provision of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Borrower and the Bank not later than sixty (60) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the calendar quarter, in form and substance agreed with the Bank.

3. The Project Implementing Entity shall have the Project Financial Statements referred to above audited by independent auditors agreed with the Bank, in accordance with consistently applied auditing standards agreed with the Bank. Each audit of these Project Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity, commencing with the fiscal year in which the first withdrawal was made. The Project Implementing Entity shall ensure that the audited Project Financial Statements for each period shall be: (a) furnished to the Borrower and the Bank not later than nine (9) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner agreed with the Bank.

Section III. Procurement

1. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.