Project Agreement

(Karnataka Watershed Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF KARNATAKA

Dated February 11, 2013
PROJECT AGREEMENT

AGREEMENT dated February 11, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and STATE OF KARNATAKA ("Project Implementing Entity" and "Karnataka") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between INDIA ("Recipient") and the Association. The Association and Karnataka 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. Karnataka declares its commitment to the objectives of the Project. To this end, Karnataka shall: (a) carry out Parts A, B C and E of the Project, through WDD; and (b) carry out Parts D and E of the Project, through DOH, all in accordance with the provisions of the PIP and 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 Karnataka otherwise agree, Karnataka 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 the Chief Secretary of Karnataka.

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 Karnataka
Vidhana Soudha
Bangalore 560001

Facsimile:
91 8022258913

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

KARNATAKA

By

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

Without limitation upon the provisions of Section 3.01 of the Financing Agreement, Karnataka, shall:

1. at the request of the Association, exchange views with the Association with regard to the progress in the implementation of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Financing;

2. promptly inform the Association of any condition which interferes, or threatens to interfere, with the implementation of the Project, the accomplishment of the purposes of the Financing or the performance of its obligations under this Agreement;

3. maintain, at all times during Project implementation, within WDD’S regular structure, a Project planning and management unit with functions and responsibilities acceptable to the Association, including, inter alia, the responsibility of said unit to plan, coordinate and monitor the Project performance in line with the implementation schedule set forth in the PIP.

4. ensure that, at all times during Project implementation, the PPMU shall be led by a project director and be assisted by adequate professional and administrative staff (including procurement, financial management and Project related technical staff), in numbers and with experience and qualifications acceptable to the Association, and operating under terms of reference agreed to between Karnataka and the Association.

5. maintain, at all times during Project implementation, a State Project empowered committee headed by Karnataka’s Additional Chief Secretary and Development Commissioner, entrusted with the responsibility of, inter alia, providing overall guidance on policy aspects related to Karnataka’s watershed development and integration between Karnataka’s relevant line departments.

6. not later than three (3) months after the Effective Date, issue a Government Order to grant WDD and DOH access to the proceeds of the Financing necessary to implement the Project at the district level.
7. not later than twelve (12) months after the Effective Date, appoint and thereafter retain throughout Project implementation, internal auditors for the Project operating in accordance with terms of reference acceptable to the Association.

B. Anti-Corruption

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

C. Safeguards

Karnataka shall:

1. carry out the Project in accordance with the EMF in a manner satisfactory to the Association; including, the mitigation measures set forth therein, in a manner satisfactory to the Association.

2. ensure that the environmental performance indicators contained in the EMF are updated and monitored regularly, in agreement with the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Karnataka 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 Recipient and the Association not later than forty-five (45) days after the end of the period covered by such report.

2. Karnataka 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. Karnataka 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, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, Karnataka 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. Karnataka 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 (1) financial year of Karnataka. Karnataka 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, non-consulting services and consultants’ 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.