Project Agreement

(Andhra Pradesh 24x7 – Power for All Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF ANDHRA PRADESH,
EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.,
SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.,
TRANSMISSION CORPORATION OF ANDHRA PRADESH LTD.

Dated June 22, 2017
PROJECT AGREEMENT

Agreement dated June 22, 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), on the one side, and the STATE OF ANDHRA PRADESH LTD. ("Project Implementing Entity"), EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD. ("APEPDL"), SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD. ("APSDCL"), and TRANSMISSION CORPORATION OF ANDHRA PRADESH LTD. ("APTRANSCO") (APEPDL, APSDCL, and APTRANSCO, collectively referred to hereinafter as the "Implementing Agencies"), on the other side (the "Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between INDIA ("Borrower") and the Bank. The Bank, the Project Implementing Entity and the Implementing Agencies 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 and the Implementing Agencies declare their commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project, though the Implementing Agencies, in accordance with the provisions of Article V of the General Conditions, and shall provide, and/or cause the Implementing Agencies to provide, promptly as needed, the funds, facilities, services and other resources required for the Implementing Agencies' respective part of 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 and the Implementing Agencies shall otherwise agree, the Project Implementing Entity and the Implementing Agencies 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 Secretary of the Project Implementing Entity's Energy Department.
3.02. The Implementing Agencies' Representatives are:

(a) For APEPDCL: its Chairman and Managing Director,
(b) For APSPDCL: its Chairman and Managing Director; and
(c) For APTRANSCO: its Chairman and Managing Director.

3.03. 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

3.04. The Project Implementing Entity's Address is:
Department of Energy
Block 2
Andhra Pradesh Secretariat
Velagapudi,
Guntur District
Andhra Pradesh 522 503
Facsimile:
+91 863 244 2308

3.05. The Implementing Agencies' Addresses are:

(a) For APEPDCL:
   Eastern Power Distribution Company of Andhra Pradesh Ltd.
   P&T Colony
   Seethammadhara
   Visakhapatnam
   Andhra Pradesh, 530 013
Facsimile:
+91 0891 2737674

(b) For APSPDCL:
Southern Power Distribution Company of Andhra Pradesh Ltd.
Srinivasa Furam
Tiruchanook
Tirupathi
Andhra Pradesh, 517 503
Facsimile:
+91 0877 2284128

(c) For APTRANSCO:
Transmission Corporation of Andhra Pradesh Ltd.
Vidyut Soudha
Khairatabad,
Hyderabad,
Telangana 500 004
Facsimile:
+91 40 66665251
AGREEED at NEW DELHI, India, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By __________________________
Authorized Representative

Name: MISAM ABDI
Title: Acting Country Director, India

STATE OF ANDHRA PRADESH

By __________________________
Authorized Representative

Name: K. RAMANATHAN
Title: ADVISER

EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LTD.

By __________________________
Authorized Representative

Name: N.M. MAHAR
Title: CHAIRMAN AND MANAGING DIRECTOR
SOUTHERN POWER DISTRIBUTION
COMPANY OF ANDHRA PRADESH LTD.

By ______________________
Authorized Representative

Name: BILAL BASHA
Title: DIRECTOR, FINANCE

TRANSMISSION CORPORATION OF
ANDHRA PRADESH LTD.

By ______________________
Authorized Representative

Name: S. SUBRAMANIAM
Title: DIRECTOR
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the Implementing Agencies’ carrying out their Respective Parts of the Project, the Project Implementing Entity shall make the proceeds of the Loan available to each Implementing Agency for its Respective Parts of the Project pursuant to individual subsidiary agreements to be entered between the Project Implementing Entity and each Implementing Agency Entity, under terms and conditions agreed with the Bank (all these agreements collectively referred to as the “Subsidiary Agreements”).

2. The Project Implementing Entity shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Borrower, the Project Implementing Entity and the Bank, and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of their provisions, whether in whole or in part.

B. Institutional Arrangements

1. The Project Implementing Entity shall ensure that each of the Implementing Agencies maintains throughout the period of implementation of its Respective Part of the Project, a project implementation unit (“PIU”), headed by a Project Director, assisted by multi-disciplinary and competent staff, all with experience and qualifications, in numbers and under terms of reference agreed with the Bank; which unit shall be 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 the activities under the Respective Parts of the Project, including compliance with the Safeguard Documents, and monitoring and evaluation requirements.

2. The Project Implementing Entity shall cause each of the Implementing Agencies to select and engage, by no later than four (4) months after the Effective Date, and thereafter maintains throughout the period of implementation of its Respective Parts of the Project, the services of one or more consulting firm(s), with qualifications and experience and under terms of reference agreed with the Bank and set forth in the Respective Operations Manuals, in order to carry out internal audits on, inter alia, financial management performance, procurement process and decisions and contract administration.
3. The Project Implementing Entity shall ensure, if and when required by the Bank, that both APEPDCL and APSPDCL hire (within four (4) months of such requirement) and thereafter maintains throughout the period of implementation of its Respective Parts of the Project, the services of a project management consulting firm ("PMC") with qualification and experience and under terms of reference agreed with the Bank, in order to assist its respective PIU with the planning, implementation and execution of activities under its Respective Parts of the Project.

C. Project Documents

1. The Project Implementing Entity shall ensure that the Implementing Agencies implement their Respective Parts of the Project in accordance with their Respective Operations Manuals; 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.

2. The Project Implementing Entity shall, and shall ensure that the Implementing Agencies, refrain from amending, suspending, waiving, and/or voiding any provision of the Respective Operations Manuals, whether in whole or in part, without the prior written agreement of the Bank.

D. Anti-Corruption

The Project Implementing Entity and the Implementing Agencies shall ensure that the Project, or their Respective Parts of the Project as the case may be, are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Implementing Agencies shall, and the Project Implementing Entity shall cause the Implementing Agencies to:

   (a) carry out their Respective Parts of the Project pursuant to, and in compliance with, the objectives, policies, procedures, time schedules, compensation arrangements and other provisions set forth in their ESMF (including the CPTD), as well as their respective ESMP(s), the RAP(s) and TPDP(s) prepared, and/or to be prepared in form and substance satisfactory to the Bank, pursuant to paragraph 2 of this sub-section (the ESMF—including the CPTD-, ESMP(s), RAP(s) and TPDP(s) collectively referred to as the “Safeguard Documents”); and

   (b) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents, 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 Components 1, 2 and 3 of the Project, the concerned Implementing Agency 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 concerned Implementing Agency in accordance with the ESMF;

(b) the respective EMP(s), RAP(s) and/or TPDP(s), as required for such transmission line, substation or distribution network, pursuant to the ESMF has/have been prepared and submitted to the Bank for review; and

(c) the foregoing Safeguard Documents have been publicly disclosed by the concerned Implementing Agency, 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 activities or civil works.

3. Prior to commencing any civil works for any transmission line, substation or distribution network under Components 1, 2 and 3 of the Project, the Project Implementing Entity and the concerned Implementing Agency 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 substations, set forth in the applicable RAP(s) 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 ESMF, the CPTD and/or the applicable RAP(s).

4. The Project Implementing Entity shall cause the Implementing Agencies to, and the Implementing Agencies shall, ensure that each contract for civil works under the Project include the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
5. The Project Implementing Entity shall cause the Implementing Agencies, and the Implementing Agencies undertake, to maintain monitoring and evaluation protocols and record keeping procedures agreed with the Bank and adequate to enable the Borrower, Project Implementing Entity, the Implementing Agencies and/or the Bank to supervise and assess, on an on-going basis, the implementation of compliance with the Safeguards Documents, as well as the achievement of the objectives thereof.

6. The Project Implementing Entity and the Implementing Agencies shall maintain and operate, throughout the period of implementation of the Project/their Respective Parts of the Project, a multi-layered grievance redress mechanism acceptable to the Bank for the handling of any stakeholder complaints arising out of the implementation of their activities under the Project.

7. In the event of any conflict between any of the provisions of any of the Safeguard Documents, 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 and the Implementing Agencies shall ensure that the following Project expenditures are financed exclusively out of the Project Implementing Entity’s or the Implementing Agencies’ own resources, as the case may be, 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 the CPTD;

(c) any compensatory afforestation payments, including as required by the ESMF;

(d) any interest during construction;

(e) any retention money deducted from contract payments, and not released by Closing Date; and

(f) any expenditures objected or considered ineligible by the independent auditors in the Financial Statements for their Respective Parts of the Project prepared pursuant to Section II.B.3 (below) of this Schedule.
Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity and the Implementing Agencies shall monitor and evaluate the progress of Project, or its Respective Part of the Project, as the case may be, 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 calendar quarter, and shall be furnished to the Borrower and the Bank not later forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall cause the Implementing Agencies to: (a) prepare and provide to the Borrower the Project Implementing Entity and the Bank the Project execution/completion report referred to in Section 5.08 (c) of the General Conditions; and (b) provide all such information as the Borrower, the Project Implementing Entity or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity and the Implementing Agencies shall maintain financial management systems 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 conditions of the Project Implementing Entity and the Implementing Agencies, including the operations, resources and expenditures related to their Respective Part of the Project.

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

3. The Project Implementing Entity and Implementing Agencies shall have the Financial Statements for their Respective Parts of the Project referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards agreed with the Bank. Each audit of these Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity and the Implementing Agencies. The Project Implementing Entity and the Implementing Agencies shall ensure that their audited 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 acceptable to the Bank.
Section III. Procurement

The Project Implementing Entity shall ensure, and cause the Implementing Agencies to ensure, that all goods, works and 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.