Tamil Nadu Project Agreement

(Tamil Nadu Sustainable Urban Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF TAMIL NADU

Dated June 03, 2015
TAMIL NADU PROJECT AGREEMENT

Agreement dated 03, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the State of Tamil Nadu ("Tamil Nadu" or the "Project Implementing Entity") ("Tamil Nadu 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. Tamil Nadu declares its commitment to the objectives of the Project. To this end, the Tamil Nadu shall carry out its respective activities under Parts A, B, and C of the Project in accordance with the provisions of Article V of the 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 and Tamil Nadu shall otherwise agree, Tamil Nadu shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

2.03. Tamil Nadu shall cause TNUDF and TNUIFSL to carry out their respective activities under Part B of the Project in accordance with the provisions of this Agreement and the TNUDF-TNUIFSL Project Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. Tamil Nadu’s Representative is the Chief Secretary of Tamil Nadu.
3.02. The Bank's Address is:

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

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. Tamil Nadu's Address is:

Chief Secretary
Government of Tamil Nadu
Secretariat
Fort St. George, Chennai
Tamil Nadu, India

Facsimile:
91-44-25672304
AGREEED at New Delhi, India, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By ____________________________
Authorized Representative

Name: Onno Ruhl
Title: Country Director, India

STATE OF TAMIL NADU

By ____________________________
Authorized Representative

Name: Praveen P. Nair
Title: Deputy Secretary
Municipal Administration
Water Supply Dept.
SCHEDULE

Execution of Tamil Nadu's Respective Part of the Project

Section I. Implementation Arrangements

A. Overall Project Implementation

1. Tamil Nadu shall ensure that TNUIFSL is staffed and operates with such resources, powers, functions, staffing, and expertise acceptable to the Bank, as required to carry out the Project and shall exercise the general oversight of the implementation of Project activities.

2. Tamil Nadu shall ensure that TNUDF is adequately capitalized to carry out the Project and that TNUDF observes the restrictions imposed on it under paragraphs 3 and 4 of the Schedule to the TNUDF-TNUIFSL Project Agreement.

3. Tamil Nadu shall appoint a project management unit to carry out Part A of the Project with resources, powers, functions, staffing, and expertise acceptable to the Bank.

4. Tamil Nadu shall cause each Eligible Urban Local Body, Participating Urban Local Body, each Sub Borrower, and each Sub Recipient to constitute and maintain a Project team in their respective local bodies with qualified sector, financial management, procurement, environment, social, technical, and monitoring and evaluation professionals to carry out their activities under the Project.

5. Tamil Nadu shall ensure that its government departments and agencies, TNUDF, TNUIFSL, DMA, each Eligible Urban Local Body, each Participating Urban Local Body, each Sub Borrower and each Sub Recipient carry out the Project in accordance with the Project Implementation Plan, the DMA Operations Manual, the TNUDF-TNUIFSL Operations Manual, the Procurement Plan, the Procurement Manual, the Environmental Management and Social Management Framework, any Environmental Management Plan(s) and any Resettlement Action Plan(s).

6. Tamil Nadu shall:

   (a) carry out its activities under the Project in accordance with the Loan Agreement and this Agreement;

   (b) provide each Eligible Urban Local Body, each Participating Urban Local Body, each Sub Borrower, and each Sub Recipient with financial and
technical assistance necessary for the implementation of Project activities; and

(c) protect the interests of the Borrower and the Bank in order to accomplish the purposes of the Loan.

7. Tamil Nadu shall make available the Loan proceeds to TNUDF in accordance with the Subsidiary Loan Agreement and to Eligible Urban Local Bodies, Participating Urban Local Bodies, Sub Borrowers, and Sub Recipients in accordance with the TNUDF-TNUIFSL Operations Manual.

B. Sub Loans and Sub Grants

1. Tamil Nadu shall make or shall cause TNUDF or TNUIFSL, as the case may be, to make Sub Loans to Sub Borrowers and Sub Grants to Sub Recipients for Sub Projects in accordance with eligibility criteria and procedures acceptable to the Bank and set out in the TNUDF-TNUIFSL Operations Manual.

2. Tamil Nadu shall ensure, or cause TNUDF or TNUIFSL, as the case may be, to ensure that each Sub Loan and Sub Grant is issued on terms and conditions approved by the Bank, which shall include rights adequate to protect, as the case may be, Tamil Nadu’s, TNUIFSL’s, and TNUDF’s interests and those of the Borrower and the Bank, including the right to:

(a) suspend or terminate the right of the Sub Borrower or the Sub Recipient to use the proceeds of the Sub Loan and Sub Grant, as the case may be, or declare to be immediately due and payable all or any part of the amount of the Sub-loan or Sub Grant then withdrawn, upon the Sub Borrower’s or Sub Recipient’s failure to perform any of its obligations under the legal agreement between Tamil Nadu or TNUIFSL, as the case may be, and such Sub Borrower or Sub Recipient; and

(b) require each Sub Borrower or Sub Recipient, with respect to its Sub Loan and Sub Grant as the case may be, to:

(A) carry out its Sub Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines;

(B) provide, promptly as needed, the resources required for the purpose;
(C) procure the goods, works and services to be financed out of the Sub Loan or the Sub Grant in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub Project financed by the Sub Loan or the Sub Grant, as the case may be, and the achievement of its objectives;

(E) (1) 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, resources and expenditures related to the Sub Project; and (2) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

(F) enable the Borrower and the Bank to inspect the Sub Project, its operation and any relevant records and documents relating to the Sub Loan or the Sub Grant as the case may be; and

(G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. Tamil Nadu shall or shall cause TNUDF or TNUIFSL, as the case may be, to exercise its rights under its legal agreements with a Sub Borrower or the Sub Recipient in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, Tamil Nadu shall ensure that TNUDF and TNUIFSL do not assign, amend, abrogate or waive any legal agreement with a Sub Borrower or the Sub Recipient or any of its provisions.

C. Credit Enhancements under Part B.2 of the Project

1. Tamil Nadu shall ensure, and shall cause TNUIFSL to ensure, that any credit enhancements under Part B.2 of the Project are made in accordance with eligibility criteria and procedures acceptable to the Bank and the provisions of the TNUDF-TNUIFSL Operations Manual.
2. Tamil Nadu shall ensure that all credit enhancement commitments or instruments under Part B. 2 of the Project are issued only after TNUIFSL verifies that the underlying bond or financial transactions have been processed in accordance with the applicable requirements of the Environmental and Social Safeguards Framework and the TNUDF-TNUIFSL Operations Manual.

3. Without limiting the generality of the foregoing paragraph 2:

(a) prior to providing credit enhancements for bond issues that will finance new projects or activities to be undertaken by Urban Local Bodies or WSPF, Tamil Nadu shall cause TNUIFSL to ensure that such projects or activities fully comply with the Environmental and Social Management Framework and that the relevant Urban Local Body, WSPF, or other relevant agency has prepared, adopted and disclosed, all in a manner satisfactory to the Bank, all required environmental management plan(s) and/or resettlement action plan(s). Tamil Nadu shall thereafter cause TNUIFSL to ensure that each such environmental management plan and/or resettlement action plan is implemented by the relevant Urban Local Body, WSPF, or other agency;

(b) prior to providing credit enhancements for bond issues that will refinance existing or completed projects or activities by Urban Local Bodies or WSPF, Tamil Nadu shall cause TNUIFSL to screen such projects and activities for environmental and social issues. As part of such screening, Tamil Nadu shall cause TNUIFSL to:

(i) carry out due diligence, in a manner satisfactory to the Bank, to identify and analyze any environmental or social legacy issues arising from the design or implementation of such projects and activities; and

(ii) cause the relevant Urban Local Body, WSPF, or other relevant agency to formulate, adopt and disclose, all in a manner satisfactory to the Bank, appropriate environmental, social, and/or resettlement plans or measures necessary to mitigate any such legacy issues consistent with the principles and requirements of the Environmental and Social Management Framework and in a manner satisfactory to the Bank; and

(c) Tamil Nadu shall cause TNUIFSL to ensure that each such environment, social and/or resettlement plans or measure is implemented by the relevant Urban Local Body, WSPF, or other relevant agency.

4. Notwithstanding anything in paragraph 3(b) above, Tamil Nadu shall refrain from providing credit enhancements for bond issues that will refinance existing
or completed projects or activities with environmental and social legacy issues that the Bank determines cannot be adequately addressed as required in paragraph 3(b)(ii) above.

5. Tamil Nadu shall cause TNUIFSL to make each credit enhancement on terms and conditions approved by the Bank, which shall include rights adequate to protect Tamil Nadu’s and TNUIFSL’s interests and those of the Borrower and the Bank under the credit enhancement or the underlying transactions as the case may be.

D. Safeguards

1. Tamil Nadu shall ensure that its activities under the Project and those of TNUDF, TNUIFSL, the Eligible Urban Local Bodies, the Participating Urban Local Bodies, the Sub Borrowers, and Sub Recipients are carried out in accordance with the Loan Agreement, this Agreement, the TNUDF-TNUIFSL Project Agreement, the DMA Operations Manual, the TNUDF-TNUIFSL Operations Manual, the Procurement Plan, and the Environmental and Social Management Framework, including, where applicable, Environmental Management Plan(s) and Resettlement Action Plan(s).

2. Tamil Nadu shall ensure, or shall cause TNUDF or TNUIFSL, as the case may be, to ensure, with respect to Sub Projects under Part B.1 of the Project that:

   (i) the relevant Sub Borrower or Sub Recipient has developed Environmental Management Plan(s) and/or Resettlement Action Plan(s) in accordance with the Environmental and Social Management Framework for Sub Projects under Part B.1 prior to the approval of bid documents for these Sub Projects;

   (ii) such Environmental Management Plan(s) and/or Resettlement Action Plan(s) are furnished to the Bank for review and approval;

   (iii) the relevant Sub Borrower or Sub Recipient has adopted and publicly disclosed such Environmental Management Plan(s) and/or Resettlement Action Plan(s) in a manner acceptable to the Bank; and

   (iv) the Sub-Borrower, the Sub Recipient, or other appropriate implementing agency comply with all social and environmental safeguard measures set forth in the Environmental Management Plan(s) or the Resettlement Action Plan(s) to the satisfaction of the Bank.
3. Except as the Bank shall otherwise agree, Tamil Nadu shall make and shall cause TNUDF or TNUIFSL to make no amendments, variations, or waivers to any provision of the DMA Operations Manual, the TNUDF-TNUIFSL Operations Manual, the Environmental and Social Management Framework, including, where applicable, Environmental Management Plan(s) and Resettlement Action Plan(s), relating to such environmental and social standards, if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

4. Tamil Nadu shall appoint and maintain or shall cause TNUDF or TNUIFSL, as the case may be, to appoint and maintain adequate environmental and social development staff at TNUIFSL and the Sub Borrowers or the Sub Recipients, as the case may be, with functions, powers and resources necessary to review and monitor the environmental and social aspects of Sub Projects.

5. Tamil Nadu shall ensure, or shall cause TNUDF or TNUIFSL, as the case may be, to ensure that the Sub Borrowers and the Sub Recipients constitute and maintain grievance redress committees to handle environment-related grievances under the Environmental Management Plans and resettlement and compensation-related grievances under the Resettlement Action Plans.

6. In accordance with terms of reference acceptable to the Bank, Tamil Nadu shall, or shall cause TNUDF or TNUIFSL, as the case may be, to, undertake resettlement impact evaluation studies no later than one calendar year after carrying out the Resettlement Action Plan(s) under each Sub Project. A copy of these impact evaluations shall be furnished to the Bank as part of the information required under 5.08 (c) of the General Conditions.

E. Anti-Corruption

Tamil Nadu shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Tamil Nadu shall, and shall cause TNUIFSL to, prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of six months and shall be furnished to the Borrower not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
2. Tamil Nadu shall provide to the Borrower not later than September 30, 2022, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

3. Tamil Nadu shall:
   
   (a) undertake a verification process and produce verification reports for Part A of the Project, in accordance with the provisions of the DMA Operations Manual, for the fulfillment of the disbursement linked indicators set out in the annex to Section IV.B of Schedule 2 to the Loan Agreement; and

   (b) furnish to the Bank corresponding verification reports, in form and substance agreed with the Bank.

B. Financial Management, Financial Reports and Audits

1. Tamil Nadu shall, and shall cause TNUIFSL and TNUDF to, 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, resources, and expenditures relating to its Respective Part of the Project.

2. Without limitation on the provisions of Part A of this Section, Tamil Nadu shall, and shall cause TNUIFSL to, prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for their Respective Part of the Project covering the quarter, in form and substance satisfactory to the Bank.

3. Tamil Nadu shall have, and shall cause TNUIFSL to have, the Project's financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one Fiscal Year. Tamil Nadu shall, and shall cause TNUIFSL to, ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than nine 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

All goods, works and services required for Tamil Nadu’s Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.