

CREDIT NUMBER 5576-IN

Project Agreement

(Andhra Pradesh Rural Inclusive Growth Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ANDHRA PRADESH

Dated *November 16*, 2015

PROJECT AGREEMENT

Agreement dated ~~November 16~~, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the STATE OF ANDHRA PRADESH ("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. 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, through AP-SERP and/or any successor institution acceptable to the Association, 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 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 — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity's Representative is the Principal Secretary of the Finance Department.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Principal Secretary
Finance Department
A.P. Secretariat
North "H" Block
Hyderabad 500 022

Facsimile:

+91-40-23459279

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

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By



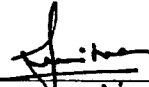
Authorized Representative

Name: Onno Ruhl

Title: Country Director, India

STATE OF ANDHRA PRADESH

By



Authorized Representative

Name: Sunitha Koleventy

Title: Finance Secretary
(Budget & IF)

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall vest the responsibility for the implementation of the Project in AP-SERP. To this end, the Project Implementing Entity shall:
 - (a) establish by no later than one (1) month after the Effective Date, and thereafter maintain, throughout the period of implementation of the Project, a Steering Committee, chaired by the Chief Secretary and comprised of the Principal Secretaries of the various Line Departments and the Chief Executive Officer of AP-SERP to be convened by Principal Secretary (Rural Development), which committee shall be vested with powers, functions and competencies acceptable to the Association and detailed in the Project Implementation Plan, as shall be required for it to: (i) ensure inter-departmental coordination; and (ii) provide policy guidance, set priorities and exercise general oversight for the implementation of Project activities;
 - (b) establish by no later than one (1) month after the Effective Date, and thereafter maintain, throughout the period of implementation of the Project, a Project Implementation and Review Committee, headed by the Principal Secretary (Finance) and to be convened by the Chief Executive Officer of AP-SERP and comprised of the Secretaries of the various Line Departments, which committee shall be vested with powers, functions and competencies acceptable to the Association and detailed in the Project Implementation Plan, as shall be required for it to: (i) ensure inter-departmental coordination and convergence for Project activities (particularly the establishment of OSS service points); (ii) approve HR Guidelines & Manual; (iii) review and approve annual implementation plans; and (iv) monitor and evaluate the progress in the execution of Project activities; and
 - (c) cause AP-SERP to maintain throughout the period of implementation of the Project, the Project Management Unit: (i) headed by the Chief Executive Officer of AP-SERP, assisted by competent staff, all with experience and qualification, in numbers and under terms of reference acceptable to the Association; and (ii) provided with such powers, financial resources, functions and competences, acceptable to the Association and detailed in the HR Guidelines & Manual and the Project Implementation Plan, as shall be required for, inter alia: (A) carrying out of day-to-day implementation of activities under the Project, including financial management, procurement, social and environmental, communication, monitoring, evaluation and reporting activities thereunder; and (B) coordinating inter-agency collaborations with Line Departments, Producer Organizations, Gram Panchayats, and community organizations for purposes of Project implementation.

B. Anti-Corruption

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

C. Project Documents

1. The Project Implementing Entity shall, and shall cause AP-SERP to:
 - (a) implement the Project in accordance with the Project Implementation Plan, the HR Guidelines & Manual, the FM Manual, the Procurement Manual, the Community Operations Manual, and the GAC Framework (the "Project Documents"); and
 - (b) refrain from amending, suspending, waiving, abrogating and/or voiding any provision of the Project Documents, in whole or in part, without the prior written mutual consent of the Project Implementing Entity and the Association.
2. To the extent of any inconsistency between: (a) the provisions of the Project Documents; and (b) the provisions of this Agreement and/or the Financing Agreement, the provisions of this Agreement and/or the Financing Agreement (as the case may be) shall prevail.

D. Producer Organizations' Business Plans & Village Human Development Plans

1. For purposes of carrying out the activities under Components 1.1.(a), 1.1(e) and 2.1(a) of the Project, the Project Implementing Entity shall cause AP-SERP to: (a) screen the proposals for Business Plans or Village Human Development Plans, as the case may be, submitted, respectively, by Producer Organizations and Village Level Convergence Committees/Village Organization; and (b) select the Producer Organization or Village Organization responsible for the implementation thereof, in accordance with the eligibility criteria and procedures, acceptable to the Association, set forth in the Community Operations Manual and the Safeguard Documents.
2. Upon the selection of a VHDP or Business Plan proposal, the Project Implementing Entity shall cause AP-SERP to enter into a Sub-financing Agreement with the respective Village Organization or Producer Organization, as the case may be, for the provision of a VHDP Grant or BP Grant, on terms and conditions approved by the Association, which shall include the right of AP-SERP to:
 - (a) suspend or terminate the right of the Village Organization or Producer Organization to use the proceeds of the VHDP Grant or BP Grant, respectively, or obtain a refund of all or any part of the amount of the VHDP Grant or BP Grant then withdrawn, upon the Village Organization's or Producer Organization's failure to perform any of its obligations under the respective Sub-financing Agreement; and
 - (b) require each Village Organization or Producer Organization, as the case may be to: (i) carry out the respective VHDP or Business Plan with due diligence and

efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Safeguard Documents and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the VHDP Grant or BP Grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the VHDP and Business Plan and the achievement of its objectives; (v) (A) 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 respective VHDP or Business Plan, as the case may be; and (B) at the Recipient's, the Association's or the Project Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Association and the Project Implementing Entity; (vi) enable the Recipient, the Association and the Project Implementing Entity to inspect the sites of the VHDP or Business Plan, its operation and any relevant records and documents thereof; and (vii) prepare and furnish to the Recipient, the Association and the Project Implementing Entity all such information as the Recipient or the Association or the Project Implementing Entity shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall cause AP-SERP to exercise its rights under each Sub-financing Agreement in such manner as to protect the interests of the Recipient, the Association and the Project Implementing Entity, and to accomplish the purposes of the Financing.

E. Safeguards

1. The Project Implementing Entity shall, and shall cause AP-SERP as well as each Village Organization and Producer Organization participating in/benefiting from the Project, to:
 - (a) carry out the Project in accordance with the EMF, the SM/TDP, and the EMPs prepared and/or to be prepared pursuant to paragraph 2 of this sub-section (the "Safeguard Documents") in accordance with the objectives, policies, procedures, time schedules, and other provisions set forth in the EMF and SM/TDP, in each case in a manner and in substance satisfactory to the Association; and
 - (b) refrain from taking any action which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, and/or voidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written mutual consent of the Association.

2. The Project Implementing Entity shall ensure, and cause AP-SERP and/or the Village Organization and Producer Organizations participating in/benefiting from the Project to ensure, that:
 - (a) prior to the commencement of any activity under the Project (including the activities under a VHDP or Business Plan):
 - (i) the proposed activity has been screened in accordance with the guidelines, standards and procedures set forth in the EMF;
 - (ii) the respective EMP(s) required for such activity pursuant to the EMF, as the case may be, has/have been duly prepared in accordance with such EMF; and
 - (iii) the foregoing Safeguard Documents have been adopted and publicly disclosed by the Project Implementing Entity and/or AP-SERP, in local language(s) at the relevant Project sites;
 - (b) prior to commencing any civil works under the Project:
 - (i) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies and submitted to the Association; and
 - (ii) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled;
 - (c) 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;
 - (d) the Project activities entail neither any land taking, nor give rise to any Displaced Persons; and
 - (e) any land purchases under the Project (including those purchases required under any VHDP or Business Plan) will be entirely financed by AP-SERP's, the Village Organization's or the Producer Organization's own resources, as the case may be.
3. The Project Implementing Entity shall:
 - (a) maintain, and cause AP-SERP and/or the Village Organization and/or Producer Organizations participating in/benefiting from the Project to maintain, monitoring and evaluation protocols and record keeping procedures acceptable to the Association and adequate to enable the Recipient and the Association 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;

- (b) cause AP-SERP to carry out an internal review, and prepare and submit to the Project Implementing Entity and the Association, by no later than September 30, 2017, a detailed mid-term report, on: (i) the implementation of, and general compliance with, the Safeguard Documents; (ii) the social and environmental impact of Project activities; and (iii) the results of the mitigation or benefit-enhancing measures applied thereto; such report to be prepared in a manner and substance satisfactory to the Association; and
 - (c) cause AP-SERP to hire and engage, by no later than June 30, 2019, a social and environmental consultant, under terms of reference agreed with the Association, for the carrying out of an independent assessment of: (i) AP-SERP's, the Village Organization's and the Producer Organizations' implementation of, and general compliance with, the Safeguard Documents; (ii) the social and environmental impact of Project activities; and (iii) the results of the mitigation or benefit-enhancing measures applied thereto.
4. In the event of any conflict between the provisions of any of the Safeguard Documents, on the one hand, and the provisions of this Agreement or the Financing Agreement, on the other hand, the provisions of this Agreement and the Financing Agreement shall prevail.

F. Suggestion & Complaint Mechanism

The Project Implementing Entity shall cause the AP-SERP to maintain and operate throughout the period of implementation of Project activities, a grievance redress mechanism for stakeholders and Project beneficiaries to file any complaints arising out of, or in connection with, the Project; which systems shall be subject to guidelines and procedures, acceptable to the Association.

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 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient and the Association not later forty five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
- 2. The Project Implementing Entity shall: (a) prepare, or cause AP-SERP to prepare, the Project execution/completion report referred to in Section 5.08 (c) of the General conditions; and (b) furnish, or cause AP-SERP to furnish, it to the Recipient and the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain, and cause AP-SERP to 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 and financial condition of the Project Implementing Entity and AP-SERP, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall cause AP-SERP to prepare and furnish to the Recipient and the Association, not later than forty five (45) days after the end of each calendar quarter, interim financial reports for the Project, covering the quarter in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have, and cause AP-SERP to have, the Project 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 fiscal year of the Project Implementing Entity and AP-SERP. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association 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 Association.

Section III. Procurement

All goods, works and 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.