

CREDIT NUMBER 5696-IN

Project Agreement

(Bihar Kosi Basin Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF BIHAR

Dated *JANUARY 20*, 201*6*

PROJECT AGREEMENT

Agreement dated JANUARY 20, 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and the STATE OF BIHAR ("Project Implementing Entity"), (the "Project Agreement"), in connection with the financing agreement of even date between INDIA (the "Recipient") and the Association (the "Financing Agreement"). 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 and 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:
 - (a) carry out the Project, through BAPEPS and the Implementing Agencies, in accordance with the provisions of Article IV of the General Conditions; and
 - (b) 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 Development Commissioner, Government of Bihar.

4.02. The Association's Address is:

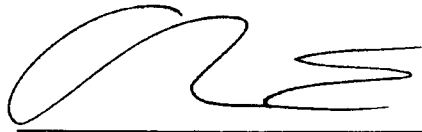
International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

4.03. The Project Implementing Entity's Address is:

Development Commissioner, Government of Bihar
Main Secretariat
Patna 800001
Bihar

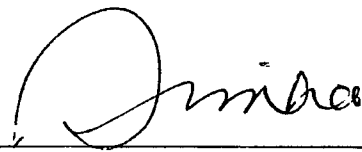
AGREED at NEW DELHI, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By 
Authorized Representative

Name: ONNO RUHL
Title: COUNTRY DIRECTOR, INDIA

STATE OF BIHAR

By 
Authorized Representative

Name: SHISHIR SINHA
Title: DEVELOPMENT COMMISSIONER

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall vest in BAPEPS the overall responsibility for Project implementation, monitoring and evaluation (except for implementation of the CER Component), all in accordance with implementation arrangements agreed with the Association as set forth in the Operations Manual.
2. Notwithstanding the provisions of paragraph 1 above, the Project Implementing Entity shall vest the responsibility for the day-to-day implementation of Project activities in the various Implementing Agencies and BAPEPS, as follows:
 - (a) Component 1: the WRD;
 - (b) Component 2: the DOA and the AFRD as per the allocation of responsibilities set forth in the Operations Manual;
 - (c) Sub-Component 3.1 and 3.2: the RWD;
 - (d) Sub-Component 3.3: the BRPNL;
 - (e) Component 4: the Coordinating Authority; and
 - (f) Component 5: BAPEPS, WRD, DOA, AFRD, BRPNL and RWD, as the case may be as per the allocation of responsibilities set forth in Sections I.A.3 through 5, and I.D and I.E of this Schedule as further detailed in the Operations Manual.
3. For purposes of paragraphs 1 and 2 above, the Project Implementing Entity shall:
 - (a) ensure that, throughout the period of implementation of the Project, BAPEPS is granted the powers, functions, competencies, staff and resources agreed with the Association, as shall be required for, *inter alia*:
 - (i) guaranteeing inter-departmental coordination for the implementation of Components 1, 2, 3 and 5 of the Project (to be carried out by the respective Implementing Agencies, except for financial management functions); (ii) reviewing procurement packages, bid evaluation reports and contract awards recommended by other Implementing Agencies; (iii) ensuring enforcement/compliance with the Safeguard Documents; (iv) administering third party audits and ensuring quality of Project outputs;

and (v) monitoring, supervising and reporting on the progress achieved in carrying out the Project;

- (b) cause BAPEPS to establish in each Targeted District by no later than four (4) months after the Effective Date and in any event prior to the commencement of project activities in a particular Targeted District, and thereafter maintain throughout the period of implementation of the Project, a District Project Management Unit ("DPMUs"); which units shall be granted functions and responsibilities agreed with the Association, and awarded adequate professional and administrative staff (including procurement, financial management, technical, environmental and social development specialists), in numbers and with qualification and experience, and under terms of reference, agreed with the Association in order to coordinate the day-to-day implementation of Project activities (other than the activities under the CER Component) carried out by the Implementing Agencies within their respective geographical jurisdictions, including the execution of Matching Grants Agreements with selected FIGs and POs; and
- (c) cause each Implementing Agency (other than the Coordinating Authority) to establish by no later than four (4) months after the Effective Date and in any event prior to commencement of Project activities in their respective areas of responsibility as set out in paragraph 2 of this Section I.A, and maintain throughout the period of implementation of the Project, their respective:
 - (i) Project Implementation Unit ("PIU"), with adequate professional and administrative staff, in numbers and with qualification and experience, and under terms of reference agreed with the Association, in order to carry out the day-to-day planning and implementation of Project activities, including: (A) preparation of costs estimates, detailed project reports and bidding documents; (B) carrying out the tender bids, preparation of evaluation reports and contract awards; (C) managing and supervising contract execution by contractors/consultants; and (D) liaising and coordinating the implementation of Project activities with the DPMUs; and
 - (ii) District Project Implementation Units ("DPIU") in each of the Targeted Districts; which units shall report directly to the parent PIU and be granted functions and responsibilities agreed with the Association, and awarded adequate professional and administrative staff (including procurement, financial management, technical, environmental and social development specialists), in numbers and with qualification and experience,

and under terms of reference, agreed with the Association in order to: (A) carry out the field-level day-to-day planning and implementation of activities and ensure compliance with responsibilities of the respective Implementing Agency in the carrying out of the respective Project activities within their geographical jurisdictions; and (B) liaise and coordinate Project implementation with the PMU and the DPMUs.

4. The Project Implementing Entity shall cause BAPEPS to select and hire by no later than six (6) months after the Effective Date, and thereafter retain throughout the period of implementation of the Project, the services of a financial management consulting firm with qualification and experience and under terms of reference agreed with the Association, in order to assist BAPEPS and the Implementing Agencies with the carrying out of their fiduciary responsibilities under the Project, including, inter alia: (i) assessing the Implementing Agencies' evaluation of technical and financial proposals; (ii) overseeing of payments to service providers, Project contractors, FIGs and POs; and (iii) preparing the Project's Financial Statements, Project Reports and the interim unaudited financing reports.
5. The Project Implementing Entity shall cause BAPEPS to maintain throughout the period of implementation of the Project, the services of a third party quality consulting firm(s) with qualification and experience and under terms of reference agreed with the Association, to carry out quality monitoring of Project activities and report to the PMU/PIUs on: (i) contract performance (i.e. quality of construction, compliance with technical specifications, design requirements and maintenance plans); and (ii) compliance with and/or implementation of the statutory/regulatory requirements, the Safeguard Documents and the Operations Manual.

B. Project Documents

1. The Project Implementing Entity shall cause BAPEPS and the Implementing Agencies to:
 - (a) implement the Project in accordance with the Operations Manual; provided however that in the event of conflict between the provisions of said manual, on the one hand, and those of this Agreement and/or the Financing Agreement, on the other hand, the provisions of this Agreement and/or the Financing Agreement shall prevail; and
 - (b) refrain from amending, suspending, waiving, and/or voiding any provision of the Operations Manual, whether in whole or in part, without the prior written concurrence of the Association.

C. Anti-Corruption

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

D. Matching Grants

1. For purposes of carrying out the activities under Components 2.1 and 2.2 of the Project, the Project Implementing Entity shall cause the ATMAs (acting on behalf of the DOA and AFRD) to: (a) screen the proposals for Business Plans and/or ABC Business Plans submitted by FIGs and POs, respectively; and (b) select for financing through Matching Grants those Business Plans and/or ABC Business Plans, as well as the FIGs and POs responsible for the implementation thereof, that meet the eligibility criteria set forth in the Operations Manual, including compliance with the required Safeguard Documents.
2. Upon the selection of a Business Plan or ABC Business Plan proposal, the Project Implementing Entity shall cause the ATMAs to enter into a Matching Grant Agreement with the respective FIG or PO, as the case may be, for the provision of a Matching Grant, on terms and conditions approved by the Association, which shall include the right of ATMAs (acting on behalf of DOA and AFRD) to:
 - (a) suspend or terminate the right of the FIG or PO to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the FIG's or PO's failure to perform any of its obligations under the respective Matching Grant Agreement; and
 - (b) require each FIG or PO, as the case may be, to:
 - (i) carry out the respective Business Plan or ABC Business Plan with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices acceptable to the Association, including in accordance with the provisions of the Safeguard Documents and the Anti-Corruption Guidelines;
 - (ii) provide, promptly as needed, the counterpart resources required for the purpose of implementing the respective Business Plan or ABC Business Plan;
 - (iii) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement and the Operations Manual;

- (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators agreed with the Association, the progress of the Business Plan or ABC Business Plan, as the case may be, and the achievement of its objectives;
 - (v) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards agreed with the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the respective Business Plan or ABC Business plan, as the case may be;
 - (vi) at the Recipient's, the Association's, BAPEPS' and/or the ATMA's request, have such financial statements audited by independent auditors agreed with the Association, in accordance with consistently applied auditing standards agreed with the Association, and promptly furnish the statements as so audited to the Recipient, the Association, BAPEPS and the ATMA's;
 - (vii) enable the Recipient, the Association, BAPEPS and the ATMA's to inspect the sites of the Business Plan or ABC Business Plan, its operation and any relevant records and documents thereof; and
 - (viii) prepare and furnish to the Recipient, the Association and ATMA's all such information as the Recipient or the Association or ATMA's shall reasonably request relating to the foregoing.
3. The Project Implementing Entity shall cause ATMA's to exercise their rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient, the Association and the Project Implementing Entity, and to accomplish the Project's development objectives.

E. Safeguards

1. The Project Implementing Entity shall ensure, and cause BAPEPS, the Implementing Agencies, the FIGs and POs to ensure, that:
- (a) Project activities are carried out in accordance with: (i) the ESMF; and (ii) the EMP(s) and the RAP(s) prepared, and/or to be prepared, pursuant to paragraph 3 of this sub-section, in accordance with the objectives, policies, procedures, time schedules, compensation arrangements and other provisions set forth in the ESMF (the ESMF, EMP(s) and RAP(s))

collectively referred to as the "Safeguard Documents"), 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 concurrence of the Association.
2. For purposes of paragraph 1 above, the Project Implementing Entity shall cause:
- (a) BAPEPS to:
 - (i) maintain, throughout the period of implementation of the Project, qualified and experienced environment and social specialists agreed with the Association, and with terms of reference agreed with the Association, to be responsible for, *inter alia*: (A) regularly updating the ESMF subject to the prior concurrence of the Association; (B) providing training and orientation to BAPEPS' staff, as well as the staff teams of the Implementing Agencies seconded to the Project; (C) reviewing and/or clearing the environmental screenings/assessments of Project activities, the EMP(s) and RAP(s), and the monitoring reports submitted by the Implementing Agencies in compliance with the Safeguard Documents; (D) carrying out regular field visits to Project sites, to review the Implementing Agencies', FIGs', POs', and contractors' compliance with the Safeguard Documents; and (E) providing guidance, as needed, to Project teams on environmental and social queries and issues arising under the Project; and
 - (ii) select and hire, by no later than nine (9) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, a consulting firm, with qualification, experience and terms of reference agreed with the Association, for purposes of carrying out independent annual environmental and social audits, monitoring and supervision activities and validate BAPEPS', the Implementing Agencies', FIGs', POs' and contractors' compliance with the Safeguard Documents; and
 - (b) the Implementing Agencies to appoint and maintain, throughout the period of implementation of the Project, qualified and experienced nodal officers agreed with the Association, under terms of reference agreed with the Association; such officers to be responsible for, *inter alia*: (i)

applying the ESMF to Project activities, and ensuring compliance with the provision of the EMP(s) and RAP(s); (ii) obtaining the regulatory environmental clearances and permits, and securing BAPEPS' reviews and approvals of the environmental screenings/assessments, EMP(s) and RAP(s); and (iii) monitoring and reporting to BAPEPS on the environmental and social aspects of the Project.

3. The Project Implementing Entity shall ensure, and cause BAPEPS to ensure, that, prior to BAPEPS', the Implementing Agencies', FIGs' or POs': (i) tendering any bids for civil works under Components 1, 2 and 3 of the Project; or (ii) selecting any Business Plan or ABC Business Plan for financing through Matching Grants; or (iii) requesting expressions of interest for the provision of technical services under the Project; BAPEPS, the respective Implementing Agency/ies, FIGs, or POs, as the case may be, shall have:
 - (a) carried out an environmental and social screening/assessment of said civil works, Business Plan, ABC Business Plan, or proposed technical services, as the case may be, in accordance with the principles, standards and procedures set forth in the ESMF;
 - (b) taken all necessary actions to: (i) avoid giving rise to, or minimize the number of, Displaced Persons; (ii) limit and/or mitigate, to the extent possible, any negative environmental impacts of Project activities; and (iii) protect cultural heritage sites in the Project affected areas;
 - (c) whenever required under the ESMF pursuant to the screening process set forth in sub-paragraph 3(a) above: (i) prepared and adopted an EMP and/or RAP, in a manner and substance agreed with the Association; and (ii) submitted such EMP and/or RAP to the Association for review, and the Association shall have notified BAPEPS and/or the Implementing Agencies in writing of their no-objection thereto; and
 - (d) publicly disclosed the foregoing Safeguard Documents, in local language(s) at the relevant Project sites, at least one hundred and twenty (120) days prior to the award of the contract for the related works.
4. The Project Implementing Entity shall ensure, and cause BAPEPS, the Implementing Agencies, the FIGs and the POs to ensure that, prior to commencing any activity under the Project: (a) all necessary governmental permits and clearances for such activity shall have been obtained from the competent governmental authority/ies and submitted to the Association; (b) all pre-conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (c) any resettlement measures related to such activities set forth in the applicable RAP shall have been fully executed, including the full payment of compensation prior to displacement

and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the ESMF and/or the applicable RAP.

5. The Project Implementing Entity shall cause BAPEPS and the Implementing Agencies to 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 cause BAPEPS and the Implementing Agencies to:
 - (a) maintain monitoring and evaluation protocols and record keeping procedures agreed with the Association, and adequate to enable the Project Implementing Entity 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; and
 - (b) carry out by no later than:
 - (i) December 31, 2018, and immediately thereafter furnish to the Association, a mid-term impact evaluation study, under terms of reference agreed with the Association, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, during the period preceding said report, identifying weaknesses and/or delays in the implementation of the Safeguard Documents, and setting out the measures recommended to rectify such weaknesses/delays and achieve the objective of Project in due course; and
 - (ii) December 31, 2021, and immediately thereafter furnish to the Association, an independent assessment of the implementation of Project activities, under terms of reference agreed with the Association, including: (i) BAPEPS' and the Implementing Agencies' observance of/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. The foregoing assessment report shall be furnished to the Association immediately after its conclusion and prior to the Closing Date.
7. The Project Implementing Entity shall cause BAPEPS and/or the Implementing Agencies to maintain and operate throughout the period of Project implementation, district-level grievance redress cells and grievance processing

protocol for the handling of any stakeholder complaints arising out of the implementation of Project activities, in a manner and substance agreed with the Association.

8. The Project Implementing Entity shall cause BAPEPS to ensure that the following Project expenditures are financed exclusively out of the Project Implementing Entity's own resources, and, to this end, shall provide, as promptly as needed, the resources required therefor, namely:
 - (a) all land acquisition required for the purpose of the Project; and
 - (b) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the RAP(s).
9. 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 and/or the Financing Agreement, on the other hand, the provisions of this Agreement and the Financing Agreement shall prevail.

F. Contingent Emergency Response

1. In order to ensure proper implementation of Component 4 of the Project ("CER Component"), the Project Implementing Entity shall:
 - (a) prepare and furnish to the Association for its review and approval, an operations manual (the "CER Operations Manual") which shall set forth detailed implementation arrangements for the CER Component, including: (i) designation of, terms of reference for and resource to be allocated to, the entity to be responsible for the coordination and implementation of the CER Component (the "Coordinating Authority"); (ii) specific activities which may be included in the CER Component, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the CER Component; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Component; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard instruments, including management frameworks, assessments and/or plans for the CER Component consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CER Component;
 - (b) afford the Association a reasonable opportunity to review the proposed CER Operations Manual;

- (c) promptly adopt the CER Operations Manual for the CER Component as shall have been approved by the Association;
 - (d) ensure that the CER Component is carried out in accordance with the CER Operations Manual, provided however that in the event of any inconsistency between the provision of the CER Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) not amend, suspend, abrogate, repeal or waive, whether in whole or in part, any provision of the CER Operations Manual without the prior approval of the Association.
2. The Project Implementing Entity shall, throughout the period of implementation of the CER Component, maintain the Coordinating Authority, with adequate staff and resources as agreed with the Association.
3. The Project Implementing Entity shall undertake no activities under the CER Component (and no activities shall be included in the CER Component) unless and until the following conditions have been met in respect of said activities:
- (a) (i) the Recipient and the Project Implementing Entity have determined that an Eligible Crisis or Emergency has occurred; (ii) the Project Implementing Entity has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency; and (iii) the Association has agreed with such determination, accepted said request and notified the Recipient and the Project Implementing Entity thereof; and
 - (b) the Project Implementing Entity has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association have approved all such instruments, and the Project Implementing Entity has implemented any actions which are required to be taken under said instruments prior to the commencement of such activities.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity shall, and shall cause BAPEPS to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient and

the Association by no later than forty five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall cause BAPEPS to: (a) prepare the Project execution/completion report referred to in Section 4.08(c) of the General Conditions; and (b) furnish such execution/completion report to the Recipient and the Association no later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall, and shall cause BAPEPS 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 BAPEPS, including the operations, resources and expenditures related to the Project.
2. Without limitation to Part A of this Section, the Project Implementing Entity shall prepare, and/or cause BAPEPS to prepare, and furnish to the Association, no later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the expenditures incurred during the quarter, in form and substance agreed with the Association.
3. The Project Implementing Entity shall have, and cause BAPEPS to have, the Project financial statements referred to above audited by independent auditors agreed with 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 BAPEPS. The Project Implementing Entity shall ensure, and cause BAPEPS to 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 agreed with the Association.

Section III. Procurement

1. All goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
2. The Project Implementing Entity shall cause BAPEPS and the Implementing Agencies, as the case may be, to disclose in their freely and publicly accessible websites, and in a manner and substance agreed with the Association, the Project's procurement notices, invitations to bid, bidding documents and request for proposal, as well as the procurement status of their various contracts,

including status of evaluation, complaints and actions taken, contract awards and contract performance, for all contracts for goods, works and services required for their respective activities under the Project, and financed, or to be financed, out of the proceeds of the Credit.