

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5838-IN

Project Agreement

(Himachal Pradesh Horticulture Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF HIMACHAL PRADESH

Dated *JUNE 21* , 2016

PROJECT AGREEMENT

Agreement dated JUNE 21, 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the STATE OF HIMACHAL 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 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 Secretary, DoH.
- 4.02. The Association’s Address is:

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

Facsimile:

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

HP Secretariat
Shimla 171 002
Himachal Pradesh,
India


Facsimile:

+91 177 2622382

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

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By



Authorized Representative

Name: MICHAEL HANEY

Title: ACTING COUNTRY DIRECTOR, INDIA

STATE OF HIMACHAL PRADESH

By



Authorized Representative

Name: JAGDISH CHANDER SHARMA

Title: PRINCIPAL SECRETARY - HORTICULTURE

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity vests the overall responsibility for Project coordination and implementation in its DoH, acting through its HPHD Society, and to this end shall maintain the HPHD Society in good standing and operation throughout the period of Project implementation.
2. Notwithstanding paragraph 1 above, the Project Implementing Entity shall allocate the responsibility among the HPHD Society and the Implementing Agencies for carrying out day-to-day Project activities in accordance with the provisions of the Project Implementation Plan.
3. For purposes of paragraphs 1 and 2 above, the Project Implementing Entity shall:
 - (a) cause the HPHD Society to maintain throughout the period of Project implementation:
 - (i) a Governing Council, chaired by the Chief Secretary of the Project Implementing Entity, with membership agreed with the Association, including the Principal Secretaries/Secretaries of the Implementing Agencies as well as the F&PD and the Vice-Chancellor of the UHF; which council shall be vested with such functions and powers as shall be required to provide overall strategic guidance to the HPHD Society and set the policy directives for smooth implementation of the Project and a coordinating approach across Implementing Agencies and with stakeholders. The Governing Council shall meet at least once a year;
 - (ii) an Executive Body, chaired by the Administrative Secretary (DoH), and comprised of the Commissioners and/or Directors of the Implementing Agencies, as well as representatives from NABARD and/or other financial institutions; which body shall be vested with such powers and functions as shall be required for it to review Project Reports, assess the progress of activities and the achievement of the Project's development objectives, and approve the Annual Action Plans and Budgets for the Project. The Executive Body shall meet on a quarterly basis; and
 - (iii) a Project Coordination Unit reporting to the Executive Body, headed by a full time Project Director and comprised of adequate professional and administrative staff in numbers, with qualification and experience, and under terms of reference, agreed with the Association, including deputed representatives from all Implementing Agencies; which unit shall be vested with such powers and functions as shall be required to: (A) assist

the Implementing Agencies in preparing the Annual Action Plans and Budgets and carrying out their consolidation; (B) monitor the progress of Project Components and Sub-Components, prepare Project Reports, evaluate the performance of the Implementing Agencies and provide feedback thereto; (C) carry out field visits; (D) identify implementation bottlenecks and corrective actions; (E) ensure the preparation and disclosure of the Project's Financial Statements; and (F) report to the Governing Council and Executive Body.

- (b) cause all Implementing Agencies to maintain their respective Project Implementation Units, comprised of adequate professional and administrative staff in numbers, with qualification and experience, and under terms of reference, agreed with the Association, which units shall be vested with such functions and powers as shall be required to carry out and/or oversee the day-to-day implementation of Implementing Agencies' respective activities, including preparing, implementing and monitoring their respective Annual Action Plans and Budgets and liaising with the PCU, DCCs, and DIUs.
- (c) prior to commencing Project activities in any particular District, establish, and thereafter maintain throughout the period of such activity implementation:
 - (i) a District Coordination Committee within such District, headed by a Deputy Commissioner and comprised of representatives of the Implementing Agencies, as well as lead financial institutions; which committee shall be vested with such functions and powers as shall be necessary to: (A) ensure adherence to the selection criteria in the provision of WUA Grants, FPO Grants and the agri-business promotion Entrepreneur Grants; and (B) maximize the complementarity of activities carried out by the various Implementing Agencies; and
 - (ii) a District Implementation Unit within such District, headed by a Deputy Director (horticulture), and comprised of subject matter specialists, as needed, including an horticulture development officer; which unit shall be vested with such functions and powers as shall be necessary to: (A) implement District-level activities; (B) monitor physical and financial milestones achieved in the implementation of Project activities; (C) provide quality assurance; and (D) liaise with communities to achieve the Project development objective.

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. For purposes of carrying out Sub-Components A.2(g), B.1(b), and B.3.(b) of the Project, and prior to the implementation of any activity thereunder, the Project Implementing

Entity shall prepare and adopt a Community Operations Manual, acceptable to the Association, setting forth, inter alia, a detailed description of the Project objectives, activities, eligibility and selection criteria and institutional arrangements for the implementation of Sub-Projects and Business Plans, the roles and responsibilities of the Implementing Agencies, WUAs, FPOs, Entrepreneurs, the community and other Project stakeholders, the applicable procurement methods, the accounting principles and minimum acceptable standards, the mechanisms for the flow of funds under WUA Grants, FPO Grants, and Entrepreneur Grant, and all monitoring, evaluation and reporting requirements for Sub-Projects and Business Plans.

2. The Project Implementing Entity shall ensure that the Implementing Agencies carry out their respective activities under the Project in accordance with the Project Implementation Plan, the Community Operations Manual, the FM Manual, and the Procurement Manual; provided however that in the event of conflict between the provisions of said manuals, 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.
3. The Project Implementation Entity shall refrain from amending, suspending, waiving, and/or voiding any provision of the Project Implementation Plan, the Community Operations Manual, the FM Manual and the Procurement Manual, whether in whole or in part, without the prior written concurrence of the Association.

D. Annual Action Plans and Budgets

The Project Implementing Entity shall ensure that:

- (a) each Implementing Agency prepares by no later than December 31 of each year, commencing on December 31, 2016, an Annual Action Plan and Budget covering the respective Project activities to be carried out the following Fiscal Year, which plan and budget shall be of such scope and detail as set forth in the FM Manual;
- (b) immediately furnish such draft Annual Action Plans and Budgets to: (i) the PCU for consolidation; (ii) the Association for comment and concurrence; and (iii) the Executive Body for approval; and
- (c) thereafter, ensure that Project activities are carried out in accordance with the approved Annual Action Plan and Budgets as approved by the Executive Body after taking into consideration the Association's views and recommendations.

E. Progeny-cum-Demonstration Orchards

For purposes of carrying out Sub-Component A.1 of the Project, and prior to the implementation of any activities thereunder, the Project Implementing Entity shall, through its DoH, enter into a memorandum of understanding with the HPNDODM Society, under terms and conditions acceptable to the Association, regulating the assignment of existing progeny-cum-demonstration orchards owned by DoH, as well as

those to be financed/created under the Project, as well as any ancillary assets and seconded staff.

F. Various Grants

1. For purposes of providing WUA Grants, FPO Grants and/or Entrepreneur Grants for the carrying out the activities under Sub-Components A.2(g), B.1(b), B.3(b), the Project, respectively, the Project Implementing Entity shall cause the Implementing Agencies to: (a) screen the Sub-Project proposals submitted by WUAs or FPOs, or the Business Plans submitted by Entrepreneurs, respectively; and (b) select for financing through WUA Grants, FPO Grants, or Entrepreneur Grants those Sub-Projects or Business Plans, as the case may be, as well as the WUAs, FPOs and Entrepreneurs responsible for the implementation thereof, that meet the eligibility criteria set forth in the Community Operations Manual, including compliance with the required Safeguard Documents.
2. Upon the selection of a WUA's or FPO's Sub-Project or an Entrepreneur's Business Plan, the respective Implementing Agencies shall enter into a Grant Agreement with the beneficiary WUA, FPO or Entrepreneur, for the provision of a WUA Grant, FPO Grant or Entrepreneur Grant, as the case may be, on terms and conditions approved by the Association, which shall include the right of the Implementing Agencies to:
 - (a) suspend or terminate the right of the WUA, FPO, or Entrepreneur to: (i) use the proceeds of the WUA Grant, FPO Grant or Entrepreneur Grant, as the case may be; or (ii) obtain a refund of all or any part of the amount of the WUA Grant, FPO Grant or Entrepreneur Grant then withdrawn, upon the WUA's, FPO's or Entrepreneur's failure to perform any of its obligations under the respective Grant Agreement; and
 - (b) require each WUA, FPO or Entrepreneur, as the case may be, to:
 - (i) carry out the respective Sub-Project or 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 Sub-Project or Business Plan;
 - (iii) procure the goods, works and services to be financed out of the WUA Grant, FPO Grant or Entrepreneur Grant in accordance with the provisions of this Agreement and the Community Operational 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 Sub-Project or the 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 Sub-project or Business Plan, as the case may be;
 - (vi) at the Implementing Agencies' and/or the Association'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 respective Implementing Agency and the Association;
 - (vii) enable the Recipient, the Association and/or the Implementing Agencies to inspect the sites of the Sub-Projects or Business Plan, as the case may be, and the operation thereof, as well as any relevant records and documents related thereto; and
 - (viii) prepare and furnish to the Recipient, the Implementing Agencies and the Association all such information as the Recipient, the Implementing Agencies or the Association shall reasonably request relating to the foregoing.
3. The Project Implementing Entity shall ensure that the Implementing Agencies exercise their rights under each Grant Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the Association, and to accomplish the Project's development objectives.

G. Safeguards

1. The Project Implementing Entity shall ensure, and cause HPHD Society, the Implementing Agencies, the WUAs, the FPOs and the Entrepreneurs to ensure, that:
- (a) Project activities are carried out in accordance with: (i) the ESMF; and (ii) the EMP(s) and/or the TDP(s) prepared, and/or to be prepared, as the case may be, pursuant to paragraph 3 of this sub-section, in accordance with the objectives, policies, procedures, time schedules and other provisions set forth in the ESMF (the ESMF, EMP(s) and TDP(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 ensure that HPHD Society and the Implementing Agencies maintain, throughout the period of implementation of the Project, qualified and experienced environment and social specialists under terms of reference agreed with the Association, to be responsible for, *inter alia*: (a) reviewing and/or clearing the environmental screenings/assessments of Project activities, the EMP(s) and TDP(s), and the monitoring reports submitted by the DCCs in compliance with the Safeguard Documents; (b) carrying out regular field visits to Project sites, to review the Implementing Agencies', WUAs', FPOs', Entrepreneurs', and contractors' compliance with the Safeguard Documents; (c) providing ESMF training and orientation to HPHD Society's and the Project Implementing Agencies' staff, as well as the WUAs, FPOs and Entrepreneurs, on environmental and social queries and issues arising under the Project.
3. The Project Implementing Entity shall ensure that, prior to HPHD Society's and the Implementing Agencies': (a) tendering any bids for civil works; or (b) selecting any WUAs' or FPOs' Sub-Projects, or any Entrepreneurs' Business Plans for financing through WUA Grants, FPO Grants or Entrepreneur Grants, respectively; or (c) requesting expressions of interest for the provision of technical services under the Project; HPHD Society and/or the respective Implementing Agency/ies, as the case may be, shall have:
 - (i) carried out an environmental and social screening/assessment of said civil works, Sub-Projects, Business Plan, or proposed technical services, as the case may be, in accordance with the principles, standards and procedures set forth in the ESMF;
 - (ii) whenever required under the ESMF pursuant to the screening process set forth in sub-paragraph 3(i) above: (A) prepared and adopted an EMP and/or TDP, in a manner and substance agreed with the Association; and
 - (iii) publicly disclosed the foregoing Safeguard Documents, in local language(s) at the relevant Project sites prior to tendering the respective contracts for such civil works or technical services, or the award of the respective WUA Grant, FPO Grant or Entrepreneur Grant, as the case may be.
4. The Project Implementing Entity shall ensure, and cause HPHD Society and the Implementing Agencies to ensure, that no activity under the Project shall: (a) require the involuntary acquisition of land or otherwise give rise to Displaced Persons; and/or (b) have, in the opinion of the Association, significant adverse environmental impact that are sensitive, diverse and/or unprecedented.
5. The Project Implementing Entity shall ensure, and cause HPHD Society, the Implementing Agencies, the WUAs, the FPOs and the Entrepreneurs to ensure that, prior to commencing any activity under the Project, or their respective Sub-Projects or Business Plans, as the case may be:
 - (a) all necessary governmental permits and clearances for such activity shall have been obtained from the competent governmental authority/ies; and

- (b) all pre-conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled.
6. The Project Implementing Entity shall cause HPHD Society, the Implementing Agencies, the WUAs, the FPOs, and/or the Entrepreneurs, as the case may be, 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.
 7. The Project Implementing Entity shall cause HPHD Society and/or the Implementing Agencies to maintain and operate throughout the period of Project implementation, grievance redressal committee and grievance processing protocol for the handling of any stakeholder complaints/grievances arising out of the implementation of Project activities, in a manner and substance agreed with the Association.
 8. The Project Implementing Entity shall ensure, and cause HPHD Society and the Implementing Agencies to ensure, that: (a) any land required for the Project (including under any Business Plan and/or Sub-Project) shall be procured on a willing-buyer/willing-seller basis or obtained as a voluntary donation/bequest, or through voluntary lease deeds, or pursuant to agreements reached with local authorities (for publicly owned land) or through inter-departmental transfers; and (b) any expenditures associated with such acquisition be financed exclusively out of the Project Implementing Entity's, the WUAs', FPOs' and/or the Entrepreneurs' own resources, as the case may be.
 9. The Project Implementing Entity shall, throughout the period of implementation of the Project: (a) maintain, and/or cause the Implementing Entities to maintain, monitoring and evaluation protocols and record keeping procedures acceptable to the Association and adequate to enable the Recipient, 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) furnish to the Association as part of the Project Reports an assessment of the general compliance with the Safeguard Documents, the social and environmental impact of Project activities, and the results of the mitigation or benefit-enhancing measures applied thereto, during the period preceding the date of each such report.
 10. 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.

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 semester, 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.

2. Notwithstanding the provisions of paragraph (1) above, the Project Implementing Entity shall:
 - (a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, by no later than July 31, 2018 , a mid-term review report integrating the results of the monitoring and evaluation activities performed pursuant to paragraphs (1) above on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (b) review with the Association, by no later than thirty (30) days after their completion, or such other later dates as the Association shall request, the mid-term review reports referred in sup-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter.
3. For purposes of assisting the PCU and PIUs in carrying out the Project monitoring and evaluation activities set forth in paragraphs 1 and 2 above, the Project Implementing Entity shall cause HPHD Society to hire, by no later than six (6) months after the Effective Date, and retain throughout the period of Project implementation, the services of a monitoring and evaluation consulting firm (the "M&E Consultant"), with experience and qualification and under terms of reference acceptable to the Association, in order to:
 - (a) create a monitoring and evaluation framework for the Project in consultation with the PCU and PIUs;
 - (b) conduct within eleven (11) months of the Effective Date a baseline survey for the Project;
 - (c) monitor and evaluate the progress in achieving Project outputs and outcomes, as well as its development objectives;
 - (d) strengthen the capacity of the Implementing Agencies and provide on-the-job training; and
 - (e) assist the PIUs and PCU with the preparation of the semi-annual Project Reports and the mid-term review reports.
4. The Project Implementing Entity shall prepare the Project execution/completion report referred to in Section 4.08 (c) of the General Conditions; and (b) 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 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, 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 the HPHD Society 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 its 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. 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.