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CREDIT NUMBER 5694-IN

Project Agreement

(Andhra Pradesh Disaster Recovery Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ANDHRA PRADESH

Dated *July 16*, 2015

PROJECT AGREEMENT

Agreement dated July 16, 2015, entered into between the 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 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, Revenue (Disaster Management) Department of Andhra Pradesh.
- 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:
Principal Secretary
Revenue (Disaster Management) Department
Government of Andhra Pradesh
Secretariat
Hyderabad 500022
Andhra Pradesh

Facsimile:

91-40-23459015

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

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By



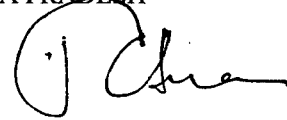
Authorized Representative

Name: Anno Ruhl

Title: Country Director, India

STATE OF ANDHRA PRADESH

By



Authorized Representative

Name: J. C. Sharma

Title: Principal Secretary
Revenue (land and Dm) Dept.

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall cause each of its Line Departments and Agencies to carry out its respective activities in accordance with the provisions of this Agreement as follows: (i) Components 1 of the Project: EPDCL; (ii) Components 2.1 of the Project: the PRD; (iii) Components 2.2 of the Project: R&BD; (iv) Components 3.1 of the Project: GVMC; (v) Components 3.2 of the Project: GVMC and VUDA for activities to be implemented within their respective jurisdictions; (vi) Components 4 of the Project: APFD, with the assistance of the Participating Agency(ies) for purposes of procurement and contract management under Component 4.1; (vii) Components 5 of the Project: APRDMD; (viii) Component 6 of the Project: Line Departments and Agencies; and (ix) Component 7: the Coordinating Authority.
2. Throughout the implementation of the Project, the Project Implementing Entity shall:
 - (i) maintain the SSC, with membership, powers, functions and competencies agreed with the Association, as shall be required to provide policy guidance for, and exercise general oversight of, the implementation of Project activities, including the approval of Project investments, the coordination of inter-departmental clearances, the facilitation of any external clearance required for the Project, the carrying out of semi-annual reviews of Project progress and budgetary allocations, and the review of Project reports;
 - (ii) maintain the Project Management Unit within APRDMD: (i) headed by a project director assisted by competent staff, all with experience and qualification, in numbers and under terms of reference agreed with the Association, including a senior finance officer or chartered accountant with skills, qualifications, experience and terms of reference agreed with the Association to be hired not later than six (6) months after the Effective Date; and (ii) provided with such powers, financial resources, functions and competences, agreed with the Association, as shall be required for, *inter alia*: (a) carrying out of day-to-day overall Project management including overall financial management and reporting; (b) implementing the activities under Components 5 and 6; (c) coordinating, monitoring and evaluating the PIUs' execution of other Project Components, including providing assistance to the PIUs for the preparation of detailed project reports, bidding documents and the tendering thereof; (d) maintaining the Project's management information systems and producing quarterly reports; (e) preparing, updating, and ensuring compliance with the implementation of the Safeguard Documents and handling Project grievances; and (f) carrying out regular quality control and supervision of the Project's performance and deliverables as pursuant to the Operations Manual; and

(iii) maintain the APRDMD, and any other state agency, department, or unit involved in Project implementation, with management, staff, powers and resources necessary and appropriate to fulfill their functions under the Project.

3. The Project Implementing Entity shall establish, or cause to be established, not later than the earlier of three (3) months after the Effective Date and the commencement of activities under each respective Component of the Project, and thereafter maintain or cause to be maintained, throughout the period of implementation of the Project, project implementation units (the "Project Implementation Units"):

- (i) within EPDCL, for purposes of Component 1 of the Project;
- (ii) within PRD, for purposes of Component 2.1 of the Project;
- (iii) within R&BD, for purposes of Component 2.2 of the Project;
- (iv) within GVMC, for purposes of Component 3.1 of the Project and for purposes of Component 3.2 of the Project in relation to activities to be implemented within its jurisdiction;
- (v) within VUDA, for purposes of Component 3.2 of the Project in relation to activities to be implemented within its jurisdiction; and
- (vi) within APFD, for purposes of Component 4 of the Project,

which units shall have 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 within their purview; including: (i) preparation of costs estimates, detailed project reports and bidding documents; (ii) carrying out the bids tender and preparing bids evaluation reports; (iii) managing and supervising contract execution by contractors/consultants; (iv) liaising and coordinating the PMU and/or the SSC for the granting of any clearances and permit; (v) carrying out the financial management for the activities under their respective Components; (vi) ensuring enforcement/compliance with the Safeguard Documents and handling Project grievances; and (vii) monitoring, supervising and reporting on the progress achieved in carrying out their activities under the Project.

4. The Project Implementing Entity shall select and engage, by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, the services of third party quality consulting firm(s) ("TPQC") with qualification and experience and under terms of reference agreed with the Association, to carry out quality monitoring and reporting to the PMU 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 prepare and adopt, by the date which is no later than one (1) month after the Effective Date and in any event prior to the commencement of activities under any of Components 1 through 5 of the Project, and thereafter carry out the Project in accordance with, the Operations Manual for the Project, agreed with the Association, which manual shall set forth:
 - (a) (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (ii) the detailed institutional arrangements in respect thereto, including allocation of responsibilities among APRDMD (and the PMU), EPDCL, PRD, R&BD, GVMC, VUDA, and APFD (and their respective PIUs), and the Participating Agencies, including required staff, and minimum qualifications thereof;
 - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the Project; which procedures shall be consistent with those of the Financing Agreement and the Association's instructions thereunder, as well as the requirements of this Agreement;
 - (c) (i) the procedural steps for the update of the Procurement Plan; and (ii) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
 - (d) the guidelines and arrangements for training and capacity building activities under the Project; and
 - (e) the plan for implementing, monitoring and supervision of Project activities, including all technical environmental and social aspects in relation thereto.
2. The Project Implementing Entity shall ensure that APRDMD (and the PMU), EPDCL, PRD, R&BD, GVMC, VUDA, and APFD (and their respective PIUs) and the Participating Agencies:
 - (a) carry out the Project in accordance with the Operations Manual; provided however that in the event of conflict between the provisions of the Operations Manual, on the one hand, and those of the Financing Agreement or this Agreement, on the other, the provisions of the Financing Agreement or this 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. Resilient Electrical Network

1. In order for EPDCL to discharge its responsibilities referred pursuant to Section I.A.1 above, the Project Implementing Entity shall enter into a written agreement with EPDCL by the date which is no later than two (2) months after the Effective Date and prior to the commencement of any activities by EPDCL under Component 1 of the Project, under terms and conditions agreed with the Association, whereby EPDCL undertakes to: (a) comply with all the fiduciary and safeguard standards, procedures and requirements set forth in this Agreement, the Financing Agreement, the Anti-Corruption Guidelines, the Procurement Guidelines, the Consultants Guidelines, the General Conditions, the Operations Manual, and the Safeguard Documents; and (b) discharge its responsibilities in the implementation of Component 1 of the Project in accordance therewith.
2. Notwithstanding the foregoing, in the event of a conflict between the provision of the foregoing written agreement between the Project Implementing Entity and EPDCL, on the one side, and those of this Agreement or the Financing Agreement, on the other, the provisions of the latter shall prevail.

E. Restoration of Environmental Services and Facilities and Livelihood Support

1. In the event that the Project Implementing Entity determines that one or more Participating Agencies should assist APFD in the implementation of Component 4, the Project Implementing Entity, through APFD, shall identify such Participating Agency(ies) in a manner agreed with the Association.
2. Prior to each of the Participating Agencies' carrying out of any procurement activities under Component 4 of the Project, the Project Implementing Entity, through APFD, shall enter into a written agreement with each of the Participating Agencies, under terms and conditions agreed with the Association, whereby the Participating Agency undertakes to: (a) comply with all the fiduciary and safeguard standards, procedures and requirements set forth in this Agreement, the Financing Agreement, the Anti-Corruption Guidelines, the Procurement Guidelines, the Consultants Guidelines, the General Conditions, the Operations Manual, and the Safeguard Documents; and (b) discharge its responsibilities in the implementation of Component 4 of the Project in accordance therewith.
3. Notwithstanding the foregoing, in the event of a conflict between the provision of the foregoing written agreement between the Project Implementing Entity and the Participating Agency, on the one side, and those of this Agreement or the Financing Agreement, on the other, the provisions of the latter shall prevail.

F. Safeguards

1. The Project Implementing Entity shall, and shall cause each of the Line Departments and Agencies to:
 - (a) carry out the Project in accordance with the ESMF and the required plan(s) and assessment(s), including EMP(s), RAP(s), and/or IPDP(s) prepared, and/or to be prepared pursuant to paragraph 2 of this sub-section, in accordance with the objectives, policies, procedures, time schedules, compensation arrangements and other provisions set forth in the ESMF (together, the "Safeguard Documents"), in each case in a manner and in substance agreed with 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, annulment and/or avoidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written concurrence of the Association.
2. With respect to all activities under Components 1 through 5 of the Project, the Project Implementing Entity shall refrain from, and cause each of the Line Departments and Agencies to refrain from tendering any civil works contract until and unless:
 - (a) the proposed activities have been screened by the PMU or the PIUs, as the case may be, in accordance with the guidelines, standards and procedures set forth in the ESMF;
 - (b) the respective environmental and social assessments, EMP(s), RAP(s) and/or IPDP(s) required for such activities pursuant to the ESMF has/have been prepared in a manner and substance agreed with the Association; and
 - (c) the foregoing Safeguard Documents have been publicly disclosed by the Project Implementing Entity, including an executive summary thereof in local language(s) at the relevant Project's sites.
3. The Project Implementing Entity shall ensure, and cause each of the Line Departments and Agencies to ensure, prior to commencing any civil works under the Project, that: (a) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (c) all resettlement measures for the respective civil works 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 Affected Persons, as per the entitlements provided in the ESMF and/or the applicable RAP.
4. The Project Implementing Entity shall 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.

5. The Project Implementing Entity shall:
 - (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) furnish to the Association, throughout the period of Project implementation quarterly reports, assessing the contractors' general compliance with the Safeguard Documents under the respective civil works contracts, monitor the efficacy of the social and environmental management measures, and the results of the mitigation or benefit-enhancing measures applied thereto, with particular emphasis on the implementation of health and safety measures and results of resettlement activities, during the period preceding the date of each such report.
6. The Project Implementing Entity shall establish and/or strengthen, and thereafter maintain and operate throughout the period of Project implementation, a grievance redress mechanism (the "GRM") at all levels of Project implementation for the handling of any stakeholder complaints arising out of the implementation of Project activities. The operation and procedures of the GRM shall be subject to guidelines agreed between the Project Implementing Entity and the Association as set forth in the Operations Manual.
7. The Project Implementing Entity shall 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 Affected Persons in accordance with the provision of the RAPs.
8. 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/or the Financing Agreement shall prevail.

G. Contingent Emergency Response Mechanism

1. In order to ensure proper implementation of Component 7 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 said 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 any of the provisions of the CER Operations Manual and those of this Agreement and/or the Financing Agreement, the provisions of this Agreement and/or the Financing 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 by 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 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 Recipient and the Project Implementing Entity have 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 has approved all such instruments, and the Project Implementing Entity has implemented all 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 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 than forty five (45) days after the end of the period covered by such report.
2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 4.08 (c) of the General Conditions in respect to the Project; and (b) furnish it to the Recipient and the Association not later than six (6) months after the Closing Date.
3. For purposes of this Section II.A, the Project Implementing Entity shall maintain throughout the period of implementation of the Project, a management information system within the APRDMD, in form and substance agreed with the Association, which system shall be updated/expanded, by no later than six (6) months after the Effective Date, in a manner and substance agreed with the Association, in order to incorporate a module for the reception, processing and tracking of Project-related grievance complaints filed by stakeholders, as well as the monitoring of the PMU's handling thereof.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain, and shall cause EPDCL 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 EPDCL, 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 prepare and furnish to the Recipient and the Association not later than forty five (45) days after the end of each calendar quarter, interim (unaudited) financial report for the Project covering the quarter in form and substance agreed with the Association.
3. The Project Implementing Entity shall have, and shall cause EPDCL to have, its financial statements referred to above audited by independent auditors agreed with the Association, in accordance with consistently applied auditing standards agreed with the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity and EPDCL. The Project Implementing Entity shall ensure, and shall cause EPDCL 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 Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement. For avoidance of doubts, the Association shall be entitled to conduct, at any time, independent procurement reviews of all the contracts financed under the Financing.
2. The Project Implementing Entity shall maintain throughout the period of implementation of the Project, a fully operational procurement documentation and record keeping system, in a manner and substance agreed with the Association, including a freely and publicly accessible database with an interface (link) with APRDMD's and the Line Departments and Agencies' websites, showing the procurement plans and procurement notices, invitations to bid, bidding documents and requests for proposals, as well as the procurement status of various contracts, including status of evaluations, short lists of consultants, contract awards and contracts' performance, list of contracts/purchase orders placed following shopping procedures (to be updated on a quarterly basis), and the complaints received and the actions taken in respect thereof. The Project Implementing Entity shall maintain such system and website updated throughout the period of implementation of the Project.