

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8499-IN

Project Agreement

(Second Tamil Nadu Road Sector Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

STATE OF TAMIL NADU

Dated *May 28* , 2015

LOAN NUMBER 8499-IN

PROJECT AGREEMENT

Agreement dated May 28, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the STATE OF TAMIL NADU ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between INDIA ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. 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 V 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 Bank 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 — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity's Representative is its Principal Secretary/Secretary, Highways and Minor Ports Department.
- 3.02. The Bank's Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

The Principal Secretary/~~Secretary~~ *Highways & Minor Ports Dept.*
Secretariat
Government of Tamil Nadu
Fort St. George
Chennai 600 009

Facsimile:

+91-44-2567 3035

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



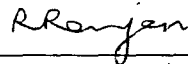
Authorized Representative

Name: OMO Ruhl

Title: Country Director, India

STATE OF TAMIL NADU

By



Authorized Representative

Name: RAJEEV RANJAN

Title: Principal Secretary
Highways & Minor Ports
Department

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: (a) Components A and B of the Project in the Highways Department; (b) sub-Components C.1 and C.3 of the Project in the Transport Department; and (c) sub-Component C.2 of the Project in the respective District administration.
2. Notwithstanding the proviso of paragraph 1 above, the Project Implementation Entity shall ensure that all fiduciary actions, decision making powers, reporting and monitoring processes (including financial management, procurement and safeguard compliance responsibilities) for the Project are undertaken/executed by the Highways Department on behalf of the Transport Department, the Kancheepuram District administration, or any other implementing agency carrying out activities under the Project.
3. For purposes of paragraph 1 and 2 above, the Project Implementing Entity shall:
 - (a) maintain throughout the period of Project implementation:
 - (i) an Empowered Committee, headed by the Minister of Highways and Minor Ports, and comprised of the Chief Secretary, the Principal Secretaries/Secretaries of the Finance Department and the Highways Department, and the PIU's Project Director; which committee shall be responsible for setting forth policy priorities and directives, resolving inter-departmental issues, and provide Project guidance to the Highways Department;
 - (ii) a Steering Committee, headed by the Principal Secretary of the Highways Department, and comprised of the Principal Secretary of the Finance Department, the PIU's Project Director, and the Chief Engineer (Construction and Maintenance) of the Highways Department, which committee shall be provided with such powers, functions and competencies, acceptable to the Bank, as shall be required for it to: (A) take all procurement decisions under the Project, including evaluating procurement bids, determining contract awards, carrying out contractors' performance evaluations and triggering any contractual remedies; (B) exercise general oversight of Project implementation and carry out periodic

reviews of financial and physical progress of Project activities; and (C) provide general guidance to the PIU in the execution of Project activities; and

- (iii) a Project Implementation Unit (the "PIU") within the Highways Department, which unit shall be: (A) headed by a Project Director, assisted by competent staff, all with experience and qualifications, in numbers and under terms of reference acceptable to the Bank, which team shall also comprise field level divisions headed by divisional engineers, as deemed necessary by the PIU in consultation with the Bank; and (B) provided with such powers, financial resources, functions and competencies, acceptable to the Bank, as shall be required for it to carry out the day-to-day implementation of the activities under Component A of the Project, including inter-institutional coordination, procurement, financial management and monitoring, external communications and reporting activities, as well as ensuring implementation of/compliance with the Safeguards Documents; and
- (b) establish, by no later than two (2) months after the Effective Date, and thereafter maintain throughout the period of Project implementation:
 - (i) an Institutional Capacity Enhancement and Road Safety Cell (the "ICERS Cell") within the Highways Department, which shall be: (A) headed by a Superintending Engineer, reporting directly to the Director General of the Highways Department, assisted by competent staff all with experience and qualifications, in numbers and under term of reference acceptable to the Bank, including, *inter alia*, a Divisional Engineer empowered to serve as drawing and disbursement officer; and (B) provided with such powers, financial resources, functions and competencies, acceptable to the Bank, as shall be required for it to carry out: (1) the day-to-day implementation of the activities under Component B of the Project, including inter-institutional coordination, procurement, financial management and monitoring, external communications and reporting activities, as well as ensuring implementation of/compliance with the Safeguards Documents; and (2) all procurement and financial management activities for Component C of the Project; notwithstanding the foregoing, the ICERS Cell shall carry out such procurement in close coordination with the respective stakeholder agencies participating in the implementation of such Components;
 - (ii) a Road Safety Executive Leadership Group (the "RSELG"), which group shall: (A) be headed by the Principal Secretary of the

Highways Department or HPE Department, and comprised of the respective Principal Secretaries/Secretaries of the HPE Department/Highways Department (depending on who is heading the RSELG), the HFW Department, the SE Department, the Director General of the Police, the Transport Commissioner (Transport Department) and the Chief General Manager of the NHAI; and (B) oversee, and provide guidance to the RSMC's, RSIUs', RSCIUs' and line agencies' implementation of Component C of the Project;

- (iii) a Road Safety Management Cell (the "RSMC") within the Transport Department which unit shall be: (A) headed by the Transport Commissioner, and assisted by competent staff all with experience and qualifications, in numbers and under term of reference acceptable to the Bank; and (B) provided with such powers, financial resources, functions and competencies, acceptable to the Bank, as shall be required for it to carry out the day-to-day implementation of the activities under sub-Component C.1 of the Project (other than procurement and financial management activities), including, inter-institutional coordination with key stakeholders, and monitoring, external communications and reporting activities, as well as ensuring implementation of/compliance with the Safeguards Documents;
- (iv) a Road Safety Implementation Unit (the "RSIU") for each of the Districts implementing the activities under sub-Component C.2 of the Project, which units shall be: (A) established under the aegis of the Collector's Office of the respective District; (B) headed by the respective Regional Transport Officer, and assisted by competent staff all with experience and qualifications, in numbers and under term of reference acceptable to the Bank; and (C) provided with such powers, financial resources, functions and competencies, acceptable to the Bank, as shall be required for it to carry out the day-to-day implementation of the activities in such District under sub-Component C.2 of the Project (other than procurement and financial management activities), including inter-institutional coordination with key stakeholders, and monitoring, external communications and reporting activities, as well as ensuring implementation of/compliance with the Safeguards Documents; and
- (v) a Road Safety Corridor Implementation Unit (the "RSCIU") within the Transport Department, which unit shall be: (A) headed by the Transport Commissioner, assisted by competent staff all with experience and qualifications, in numbers and under term of

reference acceptable to the Bank; and (B) provided with such powers, financial resources, functions and competencies, acceptable to the Bank, as shall be required for it to carry out the day-to-day implementation of the activities under sub-Component C.3 of the Project (other than procurement and financial management activities), including inter-institutional coordination with key stakeholders, and monitoring, external communications and reporting activities, as well as ensuring implementation of/compliance with the Safeguards Documents.

4. For each road to be widened, upgraded and/or maintained under Component A of the Project, and prior to the commencement of any civil works therefor, the Project Implementing Entity shall select and engage, and thereafter maintain throughout the period of implementation of the respective civil works, the services of:
 - (a) an independent/supervision engineer (the "Independent Engineer"), with qualifications and experience and under terms of reference acceptable to the Bank, in order to serve as the construction engineer for the civil works to be carried out under the EPC Contracts and PPP Concession Contracts under sub-Components A.1 and A.2 of the Project, and assist the PIU with the management, monitoring and supervision of contracts/concession performance, including: (i) general contract management; (ii) evaluating, resolving and approving contractual claims and clarifications regarding the contract documents; (iii) certifying contractors'/concessionaires' compliance with/performance of contractual obligations; (iv) carrying out quality controls of civil works; (v) monitoring compliance with/implementation of the Safeguard Documents; and (vi) overseeing payments to service providers and/or Project contractors;
 - (b) a monitoring consultant (the "Technical Monitoring Consultant"), with qualifications and experience and under terms of reference acceptable to the Bank, in order to assist the PIU with the management, monitoring and supervision of construction contracts under sub-Component A.3 of the Project, including: (i) certifying compliance with/performance of contractual obligations; (ii) carrying out quality controls of civil works; (iii) monitoring compliance with/implementation of the Safeguard Documents; and (iv) overseeing payments to service providers and/or Project contractors; and
 - (c) a non-governmental organization or social mobilization consulting firm (the "RAP Implementation Support Agency"), with qualifications and experience and under terms of reference acceptable to the Bank, in order to assist the PIU with the implementation of the works-specific RAP; the handling and processing of any grievance complaints, the carrying out of

community awareness trainings and public information campaigns, and the preparation and implementation of health and safety trainings.

5. 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 a third party audit consulting firm ("TPAC"), with qualifications and experience and under terms of reference acceptable to the Bank, in order to carry out semi-annual audits on: (i) financial management performance, procurement decisions and contract administration; (ii) contract performance (i.e. quality of construction, compliance with technical specifications, design requirements and maintenance plans); (iii) compliance with statutory/regulatory requirements and implementation of the Safeguard Documents; and (iv) monitoring, evaluation and reporting activities.

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. Safeguards.

1. The Project Implementing Entity shall:
 - (a) carry out the Project in accordance with the Safeguard Documents 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 EMF and RPF, in each case in a manner and in substance satisfactory to the Bank; 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 avoidance of any provision of the Safeguard Documents, whether in whole or in part, without the prior written concurrence of the Bank.
2. The Project Implementing Entity shall refrain from initiating any procurement process and issuing any request for proposal for any road, or section thereof, under Component A of the Project, or any civil works under Component C of the Project, or undertaking any preparatory activities thereof, until and unless:
 - (a) the proposed activities have been screened by the PIU, in accordance with the guidelines, standards and procedures set forth in the EMF and RPF;

- (b) all of the respective EIA(s), EMP(s), SIA(s), and RAP(s) required for such road, or section thereof, pursuant to the EMF and RPF has/have been prepared and submitted to the Bank for review and the Bank has notified the Project Implementing Entity in writing of its no-objection thereto; and
 - (c) the foregoing Safeguard Documents have been publicly disclosed by the Project Implementing Entity, in local language(s) at the relevant Project site(s).
- 3. The Project Implementing Entity shall ensure that, prior to awarding any contract for any civil works on a selected road, or section thereof, under the Project: (a) all necessary governmental permits and clearances for such civil works on such road, or section thereof, shall have been obtained from the competent governmental authority/ies and submitted to the Bank; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; (c) all resettlement measures set forth in the applicable RAP to the respective road, or section thereof, shall have been fully executed, including the full payment of compensation prior to the displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the RPF and/or the applicable RAP; and (d) the respective work plan for road side plantation has been prepared in a manner and substance satisfactory to the Bank, pursuant to the respective EMP(s).
- 4. The Project Implementing Entity shall ensure that each contract for civil works and/or concession contract under the Project includes the obligation of the relevant contractor or concessionaire to comply with the relevant Safeguard Documents applicable to such civil works or concession commissioned/awarded pursuant to said contract.
- 5. The Project Implementing Entity shall:
 - (a) maintain monitoring and evaluation protocols and record keeping procedures acceptable to the Bank and adequate to enable the Borrower, the Project Implementing Entity and the Bank 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) furnish to the Bank, throughout the period of Project implementation, quarterly reports prepared by the respective Independent Engineers or Technical Monitoring Consultants, as the case may be, and the RAP Implementation Support Agency, assessing:
 - (i) the Project Implementing Entity's performance in the carrying out of compensatory road side tree plantations in accordance with approved working plans, including measures taken in furtherance

of road side plantation such as raising nurseries and protection and maintenance of saplings planted, as well as monitoring and reporting of targets achieved, tree survival rate and remedial actions for the improvement thereof; and

- (ii) the contractors' general compliance with the Safeguard Documents and the respective 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 and results of resettlement activities, during the period preceding the date of each such report;
 - (c) carry out by no later than March 31, 2018, and immediately thereafter furnish to the Bank, a mid-term impact evaluation study, under terms of reference satisfactory to the Bank, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (b) 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
 - (d) hire and engage a consultant, under terms of reference agreed with the Bank, for the carrying out by no later than June 30, 2021 of an independent assessment of the implementation of Project activities, including: (i) the Project Implementing Entity's 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. The foregoing assessment report shall be furnished to the Bank immediately after its conclusion and prior to the Closing Date.
6. 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 Displaced Persons in accordance with the provisions of the RAP(s).
7. 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 Loan

Agreement, on the other hand, the provisions of this Agreement and/or the Loan Agreement shall prevail.

D. Grievance Redress Mechanism

The Project Implementing Entity shall establish by no later than September 30, 2015, and thereafter maintain and operate throughout the period of Project implementation, a district-level grievance redress mechanism for the filing of any resettlement and rehabilitation complaints, and a state level grievance redress mechanism for all other aspects of the Project; which systems shall be subject to guidelines and procedures, acceptable to the Bank.

E. Enforcement of Road Traffic Laws and Regulations

In order to ensure that the road safety management activities under Component C of the Project are implemented in a manner designed to achieve the objectives of the Project, and unless the Bank shall otherwise agree in writing, the Project Implementing Entity shall ensure that:

- (a) all Eligible Expenditures provided for these activities are used exclusively for the sole purpose of enforcing the Project Implementing Entity's road traffic laws and regulations and shall not be used for purposes of the enforcement of any non-road traffic related laws or regulations;
- (b) the Loan shall not be used to support the investigation, prosecution, and/or enforcing of judgments that, ex ante, target individuals; and
- (c) the Loan shall not be used to purchase arms or ammunition or to train any personnel in the use of arms or ammunition.

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 5.08 (b) of the General Conditions and on the basis of indicators agreed with the Bank. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Borrower not later forty five (45) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 5.08 (c) of the General

Conditions; and (b) furnish it to the Borrower and the Bank 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 Bank, 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 on the provision of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the calendar quarter, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity, commencing with the fiscal year in which the first withdrawal was made. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank 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 Bank.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.