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CREDIT NUMBER 5298-IN

# Project Agreement

(Uttar Pradesh Water Sector Restructuring Project Phase II)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTAR PRADESH

Dated *October 24*, 2013

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**PROJECT AGREEMENT**

Agreement dated October 24, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and STATE OF UTTAR PRADESH, acting by its Governor ("Uttar Pradesh" or "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. Uttar Pradesh declares its commitment to the objectives of the Project. To this end, Uttar Pradesh shall carry out the Project in accordance with the provisions of the PIP and 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 Uttar Pradesh shall otherwise agree, Uttar Pradesh 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 the Chief Secretary of Uttar Pradesh.
- 3.02. The Association's Address is:

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

Facsimile:

1-202-477-6391

3.03. Uttar Pradesh's Address is:

Chief Secretary  
Government of Uttar Pradesh  
Secretariat Annex  
Lucknow - 226001  
Uttar Pradesh, India

Facsimile:

+91 522 2239283

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 UTTAR PRADESH

By 

Authorized Representative

Name: Deepak Singh

Title: Principal Secretary, Irrigation

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

Uttar Pradesh, shall:

1. carry out the Project in accordance with the PIP, the EMP, the ESMF, the GAAP, the Procurement Plan, the Financial Management Manual and the Key Performance Indicators; and shall not amend, delete or waive any provision of the aforementioned instruments without prior agreement thereon between the Uttar Pradesh and the Association;
2. maintain, at all times during Project implementation, within UPID's regular structure, a Project Activity Core Team with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of said team to coordinate and monitor the implementation of the Project in accordance with the provisions of the PIP;
3. ensure that, at all times during Project implementation, the PACT shall be led by a chairman (of the level of Secretary) and assisted by adequate professional and administrative staff (including procurement, financial management, environmental, social and Project related technical staff), with experience and qualifications acceptable to the Association, and operating under terms of reference agreed to between Uttar Pradesh and the Association;
4. maintain, at all times during Project implementation, a project steering committee, headed by Uttar Pradesh's Chief Secretary, which committee shall comprise representatives of the Government of Uttar Pradesh's Participating Entities, vested with the responsibility of, *inter alia*, approving annual work plans and budget allocations for the Project for each year of project implementation;
5. by no later than December 31, 2014, establish and thereafter maintain a water regulatory entity, acceptable to the Association, to *inter alia*, monitor, review and make recommendations to the Government of Uttar Pradesh on water tariff adjustments in order to achieve fiscal sustainability that will ensure full annual operational and maintenance requirements of Uttar Pradesh's water sector;
6. at the request of the Association, exchange views with the Association with regard to the progress in the implementation of the Project, the performance of its

obligations under this Agreement and other matters relating to the purposes of the Financing; and

7. promptly inform the Association of any condition which interferes, or threatens to interfere, with the implementation of the Project, the accomplishment of the purposes of the Financing or the performance of its obligations under this Agreement.

**B. Anti-Corruption**

Uttar Pradesh shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

**C. Safeguards.**

Uttar Pradesh shall:

1. carry out the Project in accordance with the provisions of the EMP and the ESMF, including those of the relevant environmental management plans, social mitigation and/or resettlement plans and dam rehabilitation emergency preparedness plans prepared thereunder, all in a manner agreed to between Uttar Pradesh and the Association;
2. prepare and implement environmental management plans, social mitigation and/or resettlement plans and dam rehabilitation emergency preparedness plans, where deemed necessary, in accordance with the provisions of the ESMF, and in a manner agreed to between Uttar Pradesh and the Association;
3. ensure that the environmental and social performance indicators contained in the ESMF are regularly updated, monitored and reported to the Recipient and the Association;
4. submit to the Association quarterly progress reports on compliance with social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the EMP and the ESMF, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the EMP and the ESMF, and remedial measures taken or required to be taken to address such conditions; and
5. carry out a mid-term independent audit of the implementation of the EMP and the ESMF, the relevant environmental management plans, the relevant social mitigation and/or resettlement plans and the dam rehabilitation emergency preparedness plans. Uttar Pradesh shall furnish a copy of the report of such [audit] to the Association within ninety (90) days of its completion, and shall continue the implementation of the Project in accordance with the

recommendations of the report agreed to between Uttar Pradesh and the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. Uttar Pradesh shall monitor and evaluate the progress of the Project and, through PACT, prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each such Project Report shall cover the period of six (6) months, and shall be furnished to the Recipient and the Association not later sixty (60) days after the end of the period covered by such report.
2. Uttar Pradesh, through PACT, shall provide to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request for incorporation in the report referred to in Section 4.08(c) of the General Conditions.

**B. Financial Management, Financial Reports and Audits**

1. Uttar Pradesh, through the PACT, with the assistance of each Participating 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, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, Uttar Pradesh, through the PACT, with the assistance of each Participating Entity, shall prepare and furnish to the Association not later than forty five (45) days after the end of each quarter Interim Financial Reports (IFR) for the Project covering said period, in form and substance satisfactory to the Association.
3. Uttar Pradesh, through the PACT, with the assistance of each Participating Entity, shall have the Project's 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 (1) financial year of Uttar Pradesh. Uttar Pradesh, through the PACT, with the assistance of the respective Participating Entity, shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) 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.

