

CONFORMED COPY

GEF GRANT NUMBER TF095549-IN

Project Agreement

(Sustainable Urban Transport Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
(acting as an Implementing Agency of the Global Environment Facility)

and

STATE OF KARNATAKA

Dated February 5, 2010

PROJECT AGREEMENT

AGREEMENT dated February 5, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as an implementing agency of the Global Environment Facility (“Bank”) and STATE OF KARNATAKA (“Project Agreement”).

Whereas, by a GEF grant agreement of even date herewith between India (the Recipient) and the Bank (the “GEF Grant Agreement”), the Bank has agreed to extend to the Recipient, a grant in an amount equal to twenty million and three hundred and thirty thousand United States Dollars (\$20,330,000) (“Grant”) on the terms and conditions set forth in the GEF Grant Agreement, but only on condition that Karnataka agrees to undertake such obligations toward the Bank as are set forth in the GEF Grant Agreement and in this Agreement relating to activities to be carried out in Karnataka with respect to Part 2 of the Project.

Now, therefore, the parties hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The “Standard Conditions for Grants Made by the World Bank Out of Various Funds,” dated July 1, 2008 (“Standard Conditions”) constitutes 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 GEF Grant Agreement or the Standard Conditions.

ARTICLE II – PROJECT

- 2.01. Karnataka declares its commitment to the objectives of the Project. To this end, Karnataka shall carry out Part 2 of the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and Karnataka shall otherwise agree, Karnataka shall carry out its Respective Part of the Project through its Project Implementing Agency in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

- 3.01. Karnataka’s Representative is its Chief Secretary.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

3.03. Karnataka's Address is:

Vidhan Soudha
Government of Karnataka
Bangalore, Karnataka
India

Facsimile:
91-80-222-58-913

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an Implementing Agency of the Global Environment
Facility

By /s/ N. Roberto Zagher
Authorized Representative

STATE OF KARNATAKA

By /s/ Shambhu Dayal Meena
Authorized Representative

SCHEDULE**Execution of Karnataka's Respective Part of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements**

Karnataka shall:

- (a) ensure that its Project Implementing Agency shall implement the city demonstration project under Part 2 of the Project described in Section I.D of this Schedule and be responsible for monitoring and evaluation of the city demonstration project;
- (b) cause its Project Implementing Agency to implement the city demonstration project in accordance with the GEF Grant Agreement, this Agreement, the Financial Management Manual, the Operations Manual, and Participation Agreement; and
- (c) cause its Project Implementing Agency to establish and maintain throughout the period of Project implementation, a Project Implementation Unit, with a multi-disciplinary team of suitably qualified personnel, and with resources sufficient to carry out the technical, financial management, procurement management, social, environmental, monitoring and evaluation, and public communication activities required to implement its Respective Part of the Project in a timely and effective manner.

B. Anti-Corruption

Karnataka shall cause its Project Implementing Agency to ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Governance and Accountability Action Plan.

C. Safeguards

Karnataka shall cause its Project Implementing Agency to ensure that its Respective Part of the Project is carried out in accordance with the Environmental and Social Management Framework, including any Environmental Management Plan and Resettlement Action Plan to be prepared under the Environmental and Social Management Framework.

D. City Demonstration Projects

Karnataka shall cause its Project Implementing Agency to implement its city demonstration project consisting of:

- (i) intelligent transport systems for improving public transport in the city of Mysore including centralized traffic control, GPS services for the bus fleet, passenger information systems, etc; and
- (ii) technical assistance for promoting sustainable urban transport in the city.

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

1. Karnataka shall cause its Project Implementing Agency to monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 2.06(b) of the Standard Conditions and on the basis of the indicators agreed with the Bank. Each such Project Report shall cover the period of one (1) quarter of each Financial Year, and shall be furnished to the Recipient not later than three (3) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Bank of the overall Project Report.
2. Karnataka shall ensure that its Project Implementing Agency shall provide to the Recipient not later than January 31, 2015, for incorporation in the report referred to in Section 2.06(b)(ii) of the Standard Conditions all such information as the Recipient or the Bank shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. Karnataka shall cause its Project Implementing Agency to maintain a financial management system, including records and accounts, and prepare quarterly interim unaudited financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to its Respective Part of the Project.
2. Karnataka shall ensure that its Project Implementing Agency shall furnish to the Recipient no later than thirty (30) days after the end of each quarter the financial statements referred to above.

3. Karnataka shall ensure that its Project Implementing Agency shall furnish to the Recipient such other information concerning such financial statements as the Recipient or the Bank shall reasonably request from time to time.
4. Karnataka shall cause its Project Implementing Agency to appoint or designate no less than ninety (90) days after the Effective Date and maintain throughout the period of Project implementation, a finance professional with qualifications acceptable to the Bank.
5. Karnataka shall make adequate budgetary provisions for the city demonstration project in its annual state budget in accordance with estimates furnished by its Project Implementing Agency.
6. Karnataka shall ensure that Project funds are transferred to its Project Implementing Agency in a timely manner.
7. Karnataka shall cause its Project Implementing Agency to have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) Financial Year of the Recipient commencing with the Financial Year in which the first withdrawal under the Project was made. The audited Financial Statements of each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works, non consulting services and consultants' services required for Karnataka's Respective Part of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the GEF Grant Agreement.