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CREDIT NUMBER 3635-1-IN  
LOAN NUMBER 4872-IN

# Project Agreement

(Additional Financing for Karnataka Community-Based  
Tank Management Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE OF KARNATAKA

and

JALA SAMVARDHANA YOJANA SANGHA

Dated November 2, 2007

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**CREDIT NUMBER 3635-1-IN  
LOAN NUMBER 4872-IN**

**PROJECT AGREEMENT**

Agreement dated November 2, 2007, entered among INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), STATE OF KARNATAKA, acting by its Governor (“Karnataka”) and JALA SAMVARDHANA YOJANA SANGHA (“JSYS”) (each a “Project Implementing Entity”) (“Additional Project Agreement”) in connection with the Financing Agreement of same date between INDIA (“Recipient”) and the Association (“Additional Financing Agreement”), and the Loan Agreement of same date between INDIA (“Borrower”) and the Bank (“Loan Agreement”). The Association, the Bank and the Project Implementing Entities hereby agree as follows:

**ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II – PROJECT**

- 2.01. (a) The Project Implementing Entities declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Original Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project;
- (b) Karnataka shall make available to JSYS as a grant and in a timely manner: (i) the proceeds of the Additional Credit and the Loan made available to Karnataka by the Recipient and Borrower; and (ii) additional funds from Karnataka’s own resources sufficient for carrying out the Project; and
- (c) JSYS shall make available to each TUG under the respective MOA and in a timely manner such TUG’s portion of the above proceeds pursuant to paragraph (b) of this Section for implementation of its respective Tank Systems (TS) Subproject, in accordance with policies and procedures

agreed between JSYS, Karnataka and the Association and specified in the Financial Management Manual.

- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association, the Bank and the Project Implementing Entity shall otherwise agree, each 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 Representative for the State of Karnataka is the Chief Secretary, Government of Karnataka, and the Project Implementing Entity Representative for the JSYS is the Executive Director, JSYS.

- 3.02. The Association and the Bank's Address is:

International Development Association  
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. The Project Implementing Entity's Addresses are:

For the State of Karnataka:

Chief Secretary  
Government of Karnataka  
Vidhana Soudha  
Bangalore 560 001

Phone:	Fax:	Email:
080 22252442	08022258913	cs@karnataka.gov.in

For JSYS:

Executive Director  
Jala Samvardhane Yojana Sangha  
No. 42, 5th Cross, RMV Extension

Sadashivnagar  
Bangalore 560 080

Phone:

Fax:

Email:

080 23613000/  
23613001/2/3

080 23613006

jsys@vsnl.net/  
ed@jsysindia.org

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

INTERNATIONAL DEVELOPMENT ASSOCIATION/  
INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By

/s/ Isabel M. Guerrero  
Country Director  
India

STATE OF KARNATAKA

By

/s/ Sudhir Kumar  
Authorized Representative

JALA SAMVARDHANA YOJANA SANGHA

By

/s/ B. Ganganna  
Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Institutional and Other Arrangements

##### A. Original Project Agreement

Article III and Schedules 2 and 3 to the Original Project Agreement are incorporated by reference in this Agreement, and the provisions thereof shall apply *mutatis mutandis* to this Agreement, subject, however, to the following modifications, unless the context otherwise requires:

- (a) Schedules 2 and 3 to the Original Project Agreement are supplemented by Subsections B and C below; and
- (b) Paragraphs 14 and 15 of Schedule 2 to the Original Project Agreement are superseded by the provisions of Section II below.

##### B. Accountability

Each Project Implementing Entity shall ensure the Project is carried out in accordance with the provisions of the Accountability Guidelines.

##### C. Tank System (TS) Sub-projects

For the purposes of carrying out Part C of the Project, JSYS shall make necessary arrangements satisfactory to the Association and the Bank, to provide funds to TUGs on terms and conditions, and in accordance with procedures, set forth in the PIP, including the obligation of the JSYS to enter into a MOA with each selected TUG, as set forth in the PIP, and specifically including the following:

1. The JSYS shall obtain rights adequate to protect its interests and those of the Association and the Bank, including the right to: (i) suspend or terminate the right of each TUG to use the proceeds or obtain a refund of all or any part of the amount withdrawn, upon such TUG's failure to perform any of its obligations under the MOA; and (ii) require each TUG to:

- (A) carry out its TS Sub-project with due diligence and efficiency and including environmental and social standards and practices satisfactory to the Association and the Bank, including in accordance with the provisions of the Accountability Guidelines applicable to recipients of loan proceeds other than the Recipient;
- (B) provide, promptly as needed, the resources required for the purpose;

- (C) procure the goods, works and services to be financed out of the proceeds of the Additional Credit and the Loan in accordance with the provisions of this Agreement;
- (D) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association and the Bank, the progress of the TS Sub-project and the achievement of its objectives;
- (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association and the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the TS Sub-project; and (2) at the Association's or the Bank's or the JSYS's request, have such financial statements audited by independent auditors acceptable to the Association and the Bank, in accordance with consistently applied auditing standards acceptable to the Association and the Bank, and promptly furnish the statements as so audited to the JSYS and to the Association and the Bank;
- (F) allow JSYS and the Association and the Bank to inspect the TS Sub-project, its operation and any relevant records and documents; and
- (G) prepare and furnish to the JSYS and to the Association and the Bank all such information as the JSYS or the Association or the Bank shall reasonably request relating to the foregoing.

2. JSYS shall exercise its rights under each MOA in such manner as to protect the interests of the JSYS, the Association and the Bank, and to accomplish the purposes of the Additional Financing and the Loan. Except as the Association or the Bank shall otherwise agree, JSYS shall not assign, amend, abrogate or waive any MOA or any of its provisions.

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

### **A. Project Reports**

The Project Implementing Entities shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the Association's General Conditions and Section 5.08(b) of the Bank's General Conditions and on the basis of indicators agreed with the Association and the Bank. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient and the Borrower not later than eight (8) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association and the Bank of the overall Project Report.

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

1. JSYS shall maintain or cause to be maintained a computerized financial management system and prepare financial statements in accordance with financial management manual procedures acceptable to the Association and the Bank, in a manner adequate to reflect the operations and financial condition of the JSYS, including the operations, resources and expenditures related to the Project.

2. JSYS shall have or cause to have the financial statements referred to above audited by independent auditors acceptable to the Association and the Bank, in accordance with consistently applied auditing standards acceptable to the Association and the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the JSYS. The audited financial statements for each period shall be furnished to the Association and the Bank not later than six (6) months after the end of the period.

3. JSYS shall prepare or cause to be prepared and furnish to the Association and the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, financial management reports for the Project covering the quarter, in form and substance satisfactory to the Association and the Bank.

4. JSYS shall appoint or cause to be appointed by no later than March 31, 2008, a firm of chartered accountants on terms of reference satisfactory to the Association and the Bank, to carry out the internal audit of TUGs using the proceeds of the Additional Credit and the Loan.

**Section III. Procurement**

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