

CONFORMED COPY

CREDIT NUMBER 2774 IN  
(Amendment)

Karnataka Agreement

(Hydrology Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF KARNATAKA

Dated July 22, 1996

CREDIT NUMBER 2774 IN  
(Amendment)

KARNATAKA AGREEMENT

AGREEMENT, dated July 22, 1996, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATE OF KARNATAKA (Karnataka).

WHEREAS (A) by the Development Credit Agreement dated September 22, 1995 (hereinafter called the Development Credit Agreement) between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to ninety million one hundred thousand Special Drawing Rights (SDR 90,100,000) (the Credit) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) by the Project Agreement dated September 22, 1995 (hereinafter called the Project Agreement) between the Association and the States of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu (hereinafter called the Project States), the Project States have agreed to undertake certain obligations in respect of the carrying out of Part A of the Project;

(C) the Borrower has also requested the Netherlands Minister of Development Cooperation (hereinafter the Minister) to provide additional assistance towards the financing of the technical assistance under the Project, and pursuant to an exchange of letters dated April 1, 1996, and April 25, 1996, between the Borrower and the Netherlands Minister of Development Cooperation (hereinafter referred to as the

Dutch Grant Agreement), the Minister has agreed to provide such an assistance in an aggregate principal amount equivalent to twenty nine million nine hundred thousand Netherlands Guilders (NGL 29,900,000) (hereinafter referred to as the Dutch Grant);

(D) the Borrower has requested the Association to agree to use the savings in the Credit resulting from Dutch Grant financing, to finance the costs of carrying out Part A of the Project in Karnataka, and the Association, after due consideration, has agreed to this request;

(E) in addition to the Project States, Part A of the Project will also be carried out by the State of Karnataka (hereinafter called Karnataka) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Karnataka part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS Karnataka, in consideration of the Association's entering into the Development Credit Agreement, and the Agreement Amending Development Credit Agreement of even date herewith with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Agreement Amending Development Credit Agreement, and in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project

Section 2.01. (a) Karnataka declares its commitment to the objective of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices, and technical and hydrological practices, standards and criteria, under the overall coordination of MOWR, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Karnataka shall otherwise agree, Karnataka shall carry out Part A of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit, and consultants' services required for the Project and to be financed out of the proceeds of the Dutch Grant, shall be governed by the provisions of Schedule 3 to the Development Credit Agreement, as amended by the Agreement Amending the Development Credit Agreement.

Section 2.03. Karnataka shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part A of the Project.

Section 2.04. Without limitation upon the provisions of Article IX of the General Conditions, Karnataka shall:

(a) prepare and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for

this purpose between the Association and such Project State, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of Part A of the Project;

(b) afford the Association a reasonable opportunity to exchange views on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

Section 2.05. (a) Karnataka shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Karnataka shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A of the Project, the accomplishment of the purposes of the Credit, or the performance by Karnataka of its obligations under this Agreement.

### ARTICLE III

#### Financial Covenants

Section 3.01. (a) Karnataka shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part A of the Project of the departments or agencies of Karnataka responsible for carrying out Part A of the Project.

(b) Karnataka shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

### ARTICLE IV

Effective Date; Termination;  
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Agreement Amending Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Karnataka thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement, as amended hereby, shall terminate in accordance with its terms; or
- (ii) the date twenty (20) years after the date of this

Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Karnataka of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE V

##### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C

Telex:

248423 (RCA),  
82987 (FTCC),  
64145 (WUI) or  
197688 (TRT)

For Karnataka:

Secretary to the Government  
of Karnataka  
Department of Irrigation  
Bangalore  
Karnataka, India

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Karnataka may be taken or executed by its Chief Secretary or such other person or persons as the Chief Secretary shall designate in writing, and Karnataka shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President  
South Asia

STATE OF KARNATAKA

By /s/ N. Valluri

Authorized Representative

SCHEDULE

Implementation Program

1. To assist in the implementation of Part A of the Project, Karnataka shall maintain the Project coordination arrangements agreed with the Association.
  2. Karnataka shall undertake in collaboration with the Borrower and the Association, not later than October 31 of each year, starting October 31, 1997, an annual review of the Project, with an interim review in October 1996, and shall incorporate the findings of such review in the work programs referred to in paragraph 3 (a) below.
  3. (a) Karnataka shall furnish to the Association for the Association's review and comments not later than December 31 of each year, starting December 31, 1996, work program, cost estimates and budget proposals for Part A of the Project for the following fiscal year.  
  
(b) Without limitation to the provisions of Section 2.01 (a) of this Agreement, Karnataka shall make budgetary provisions sufficient to implement the work program referred to in (a) above, starting fiscal year 1996-1997, and for each subsequent fiscal year thereafter until Project completion.
  4. To assist in the management and dissemination of hydrological data generated through the Project, Karnataka shall set up, not later than December 31, 1996, hydrology data user groups with membership and terms of reference agreed with the Association.
  5. Without limitations to the provisions of Section 2.01 of this Agreement and paragraph 3 of this Schedule, Karnataka shall take the necessary action for providing, in a timely manner, all the funds needed for covering operation and maintenance costs under Part A of the Project.
- 