

CONFORMED COPY

CREDIT NUMBER 3635-IN

Project Agreement

(Karnataka Community-Based Tank Management Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF KARNATAKA

and

JALA SAMVARDHANA YOJANA SANGHA

Dated June 4, 2002

CREDIT NUMBER 3635-IN

PROJECT AGREEMENT

AGREEMENT, dated June 4, 2002, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF KARNATAKA, acting by its Governor (Karnataka) and JALA SAMVARDHANA YOJANA SANGHA (JSYS).

WHEREAS by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the

Borrower an amount in various currencies equivalent to eighty million Special Drawing Rights (SDR 80,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that Karnataka and JSYS agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS Karnataka and JSYS, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have each 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 Preamble to this 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 and JSYS declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, engineering and rural water tank management practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project;

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Karnataka and JSYS shall otherwise agree, Karnataka and JSYS shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, and the Project Implementation Plan;

(c) Karnataka shall make available to JSYS as a grant and in a timely manner: (i) the proceeds of the Credit made available to Karnataka by the Borrower; and (ii) additional funds from Karnataka's own resources sufficient for carrying out the Project; and

(d) JSYS shall make available to each TUG under the respective MOA and in a timely manner such TUG's portion of the proceeds of the Credit and other additional funds received from Karnataka by JSYS pursuant to paragraph (c) of this Section, for implementation of its respective TS Subproject, in accordance with policies and procedures agreed between JSYS, Karnataka and the Association and specified in the Financial Management Manual.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Karnataka and JSYS 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.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Karnataka and JSYS shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Karnataka and JSYS, a plan for the future operation of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with Karnataka and JSYS on said plan.

Section 2.04. (a) Karnataka and JSYS shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

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

ARTICLE III

Management and Operations of JSYS

Section 3.01. JSYS shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical and rural water tank management practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. JSYS shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, and financial practices.

Section 3.03. JSYS shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) JSYS shall maintain a Financial Management System, including records and accounts, and prepare financial statements, in a format acceptable to the Association

adequate to reflect the operations, resources and expenditures related to the Project.

(b) JSYS 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 standards acceptable to the Association, 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 six months after the end of each such year: (A) certified copies of the financial statements reflecting the records and accounts referred to in paragraph (a) of this Section, for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records, accounts and financial statements, and the audit thereof, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, JSYS shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable JSYS, not later than December 31, 2003 or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, JSYS shall prepare, in accordance with guidelines acceptable to the Association and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

Section 4.03. JSYS shall implement the Project in accordance with generally accepted accounting principles and the Financial Management Manual, agreed with the Association, and, except as the Association shall otherwise agree, JSYS shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

Section 4.04. By no later than December 31, 2002, JSYS shall establish and operate and thereafter maintain a computerized financial management system, satisfactory to the Association, in accordance with the Financial Management Manual.

Section 4.05. By no later than September 30, 2002, JSYS shall appoint firms of chartered accountants acceptable to the Association on terms of reference agreed with the Association to audit and certify the use of funds by TUGs on a sample basis.

Section 4.06. JSYS shall enter into an agreement with each Gram Panchayat participating in the Project to: (i) open and maintain a separate bank account for the purposes of maintaining Project funds; and (ii) open and maintain separate records and books for each Tank System for which a TUG shall be providing Project funds through a Gram Panchayat.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of Karnataka and JSYS thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 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 and JSYS of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For Karnataka:

Principal Secretary to the Government of Karnataka
Water Resources Department (Minor Irrigation)
Government of Karnataka
M.S. Building
Bangalore 560001
India

Facsimile:

91 80 226 4650

For JSYS:

Executive Director JSYS
16/1 S.P. Complex, 5th Floor
Lalbagh Road
Bangalore 560 027
India

Facsimile:

91 80 299 5622

Section 6.02. 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 Principal Secretary, Water Resources Department (Minor Irrigation) or such other person or persons as Karnataka shall designate in writing, and on behalf of JSYS may be taken by its Executive Director or such other person as JSYS shall designate in writing, and Karnataka and JSYS shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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 New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin Lim

Country Director, India

STATE OF KARNATAKA

By /s/ Chiranjiv Singh

Authorized Representative

JALA SAMVARDHANA YOJANA SANGHA

By /s/ Madan Gopal

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Credits and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: Procurement Procedures

1. National Competitive Bidding

Works under a TS Subproject estimated to cost \$50,000 equivalent or more per contract, and goods estimated to cost \$30,000 equivalent or more per contract may be procured under contracts awarded in accordance with procedures acceptable to the Association.

2. National Shopping

Goods (including equipment and vehicles) estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

(a) Satellite imagery maps, aerial photography, topographical maps, proprietary equipment and spares, books, periodicals, software, training material (including video and audio) and estimated to cost \$500,000 equivalent or less in the aggregate, may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

(b) Materials and small equipment estimated to cost less than \$500 equivalent per contract, up to an aggregate amount of \$220,000 may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement Procedures

TS Subprojects under Part C.1 of the Project estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not exceeding \$83,180,000 equivalent, may be procured either:

(i) under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or

(ii) through community participation procedures in accordance with paragraph 3.15 of the Guidelines; or

(iii) as a last resort, and with prior approval of the Association, through force account up to an aggregate amount of \$2,000,000 equivalent, in accordance with the provisions of paragraph 3.8 of the guidelines and procedures satisfactory to the Association.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each TS Subproject estimated to cost the equivalent of \$50,000 or more, each contract for goods estimated to cost the equivalent of \$30,000 or more, the first two contracts for goods in each year to be procured in accordance with paragraph 1 of Part B of this Section and the first two agreements to be entered into with TUGs in each year, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for technical assistance or training, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provision of paragraph 2.7 of the Consultant Guidelines.

1. Quality-based Selection

Services for preparation of publicity materials, video films and other services of art shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for technical assistance, studies, research and development or training and estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Consultants' services for technical assistance or training which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that are estimated to cost less than the equivalent of \$50,000 and that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

5. Least Cost Selection

Services for audits and engineering design of non-complex works shall be procured in accordance with the provisions of paragraph 3.1 and 3.6 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms for technical assistance or training estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

Organization and Structure

1. (a) In respect of each of approximately 2,000 Tank Systems in the Project Area, the respective CFT shall assist the Village Assembly to form a TUG. Each TUG shall be represented by a TUC.

(b) An ITDP shall be prepared to contain terms and conditions for the development, operation and maintenance, and management of each respective Tank System including, *inter alia*, the terms set forth in Part A of Schedule 3 to this Agreement.

(c) An MOA, based on the ITDP, shall be entered into for carrying out each TS Subproject. Each MOA shall contain the main contractual rights, duties and obligations of each party. Each TS Subproject shall be carried out in accordance with its MOA.

(d) TUGs shall seek the assistance of Village Assembly in the Project Area in selecting the appropriate organizational linkage to the Panchayat system and government line departments, in preparing the ITDP, and in implementing the Safeguard Action Plans and in carrying out the TS Subproject.

Project Management and Implementation

2. JSYS shall implement the Project in accordance with the Project Implementation Plan agreed with the Association, and except as the Association shall otherwise agree, JSYS shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

3. In respect to each Tank System in the Project Area, Karnataka shall transfer all of its rights and responsibilities in respect of development and management of such Tank System to JSYS for the purposes of implementation of the Project.

4. Throughout the implementation of the Project, JSYS shall undertake the overall coordination and management of the Project, and, for these purposes JSYS and Karnataka, as appropriate shall ensure that:

(a) JSYS's state and district level offices are adequately staffed by September 30, 2002, with staff in sufficient number and with adequate skills, qualifications and experience for the purposes of Project implementation, and such numbers, qualifications and experience being satisfactory to the Association; and

(b) senior JSYS staff shall be employed for a minimum of three years in their positions with JSYS and shall normally serve the full tenure.

5. JSYS shall:

(a) select the ANGOs and CFTs assisting in the implementation of the Project in accordance with criteria and procedures agreed upon with the Association and specified in Schedule 3 to this Agreement; and

(b) ensure that all ANGOs and CFTs receive adequate assistance and have sufficient resources for the purposes of implementing the Project.

6. Karnataka shall:

(a) ensure that at all times during Project implementation TUGs shall have all legal capability, rights and powers to enable them in the opinion of the Association to carry out TS Subprojects in a manner satisfactory to the Association and in accordance with the PIP;

(b) carry out the studies under Part A of the Project to better evaluate the existing legal framework and the legal basis for Tank User Groups; and

(c) prepare, by no later than March 31, 2003, a preliminary draft legislation concerning Tank System development and management and assignment of usufruct rights for consideration by Karnataka.

7. Karnataka and JSYS shall carry out the institutional reform study referred to in Sub-paragraph (c) of Paragraph 1 of Part A of Schedule 2 of the DCA by no later than December 31, 2003, and promptly thereafter prepare, on the basis of the recommendations of the study, a strategy and development plan for JSYS.

Social And Environmental

8. Karnataka and JSYS shall: (i) carry out the Project in accordance with the agreed Environmental Management Plan (including the Cultural Property Action Plan and Dam Safety Plan); (ii) ensure that the environmental and social screening criteria are satisfactorily applied; and (iii) ensure that the environmental and social screening criteria in the Project Implementation Plan are updated regularly in the course of Project implementation, with the first update taking place no later than December 31, 2002.

9. Karnataka and JSYS shall carry out the Project in accordance with the agreed R&R Policy and Resettlement Action Plan and ensure that the project affected persons are appropriately compensated as agreed to in the R&R Policy with the Association. The scope of the R&R Policy and Resettlement Action Plan relates only to those lands (either owned or encroached) that affect or are affected by the operation of a TS Subproject.

10. By no later than June 30, 2003, Karnataka and JSYS shall jointly review implementation under the Project of the Resettlement Action Plan (and specifically the Entitlement Framework within the R&R Policy and the approval process) and revise the same as necessary, in a manner acceptable to the Association.

11. Karnataka and JSYS shall cause the Project to be implemented in accordance with the Tribal Development Plan to ensure that the tribal and the Vulnerable Groups in the Project Area also benefit from Project activities.

12. Karnataka and JSYS shall ensure that the Project is implemented in accordance with the agreed Pest Management Plan.

Project Plans and Reviews

13. Karnataka and JSYS shall, not later than March 31 in each year, commencing March 31, 2003, prepare annual action and procurement plans for implementation of the activities under the Project including costing and budget projections, and taking into account the Association's

recommendations, finalize, not later than June 30 of each year, such plans.

14. Karnataka and JSYS shall conduct, by March 2004 and March 2006, two formal reviews of the implementation progress of the Project and submit reports to the Association all in accordance with paragraph 15 of this Schedule.

15. JSYS shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2004, in respect of the first review referred to under paragraph 14 of this Schedule, and on or about January 31, 2006, in respect of the second review referred to under paragraph 14 of this Schedule, a report in each case integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of, in each case, said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31, 2004, in the case of the first review referred to under paragraph 14 of this Schedule and by March 31, 2006, in respect of the second review referred to under paragraph 14 of this Schedule, or such later date as the Association shall request, each of the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of, in each case, said report and the Association's views on the matter.

SCHEDULE 3

ITDPs and MOAs shall be based on the model forms contained in the PIP which are satisfactory to the Association, and shall contain, *inter alia*, the terms and conditions set forth in this Schedule.

Part A: Main Terms and Conditions of an ITDP

In order to qualify as an ITDP for funding under the Project, the ITDP shall be agreed by the TUG and endorsed by the Village Assembly and shall include:

- (i) a clear development objective for the TS Subproject;
- (ii) baseline data on the tank system stakeholders and existing institutional arrangements for tank management;
- (iii) technical assessment of the entire tank system (i.e. catchment, tank, and command area);
- (iv) description of the appropriate organizational linkage to the Panchayat

system;

- (v) all applicable Safeguard Action Plans including a gender action plan;
- (vi) physical interventions including cost estimates to be supported by the Project; and
- (vii) training and capacity building requirements for TUG and TUC members monitoring and learning system and key indicators.

Part B: Main Terms and Conditions of an MOA

1. The TUG with the assistance of the CFT shall carry out the TS Subproject with due diligence and efficiency, in accordance with sound technical, financial and managerial standards and shall maintain adequate records;
2. The TUG shall be responsible for procurement of all materials, equipment, works and services. The goods, civil works and services to be financed out of the proceeds of the Credit for ITDP's shall be procured in accordance with the provisions of Schedule 1 of the Project Agreement;
3. JSYS shall have the right to inspect, by itself or jointly with the Association, Karnataka and agencies of the Borrower, such goods and the sites, works, plants and construction included in the TS Subproject, the operation thereof and any other relevant matter;
4. JSYS shall have the right to obtain all such information as Karnataka, the Borrower or the Association shall reasonably request regarding the foregoing, the administration, operations and financial condition of the TUG and the benefits to be derived from the TS Subproject;
5. JSYS shall have the right to suspend or terminate the right of the TUG to use the proceeds of the Credit for the carrying out of a TS Subproject upon failure by any such TUG to perform any of its respective obligations under the MOA;
6. The TUG shall have the obligation to report to JSYS on the progress in implementing the TS Subproject;
7. (a) JSYS shall provide funding for the TS Subproject on the basis of achievement of agreed performance milestones as specified in the MOA; and (b) the TUG shall open and maintain a separate bank account for the purpose of the TS Subprojects. The TUG shall provide its contribution in an amount equal to 6% for the purpose of developing the Tank System under the TS Subproject;
8. The CFT shall assist the TUG in preparing such plans as are necessary in accordance with the provisions of the Safeguard Action Plans satisfactory to JSYS, all of which shall be prepared in accordance with the Association's policies regarding the same;
9. The CFT shall assist the TUG in preparing a gender development plan, satisfactory to JSYS; and
10. The respective CFT shall co-sign the MOA and jointly undertake to monitor and

supervise the carrying out of the ITDP and to provide, promptly as needed, all assistance as may be required to ensure the successful implementation of the ITDP.

Part C: Criteria and Characteristics of a CFT

CFTs will be selected on a competitive basis and will possess in-depth experience and skills satisfactory to the Association, and at a minimum in social sciences (often the CFT Leader) engineering; agriculture/watershed; gender and human resources development; resettlement and tribal development and financial management.

