Project Agreement

(Emergency Tsunami Reconstruction Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF TAMIL NADU

and

UNION TERRITORY OF PONDICHERRY

Dated May 12, 2005
PROJECT AGREEMENT

AGREEMENT, dated May 12, 2005, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) the STATE OF TAMIL NADU, acting by its Governor and the UNION TERRITORY OF PONDICHERRY, acting by its Lieutenant Governor (the Project States).

WHEREAS by the Development Credit Agreement of even date herewith between India, acting by its President (the Borrower) and the Association, the Association has agreed to make available to the Borrower a credit in an amount in various currencies equivalent to Three Hundred Eight Million Four Hundred Thousand Special Drawing Rights (SDR 308,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Project States agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS the Project States, in consideration of the Association’s entering into the Development Credit Agreement with the Borrower, have 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) Tamil Nadu and Pondicherry declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, Tamil Nadu shall, through TNPEAs, carry out its relevant activities under Parts A through E of the Project and Pondicherry shall, through PIA, carry out its relevant activities under Parts A, B, D and E of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, and environmental 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 shall otherwise agree, the Project States shall carry out, and shall cause their respective Project Executing Agencies to carry out, their relevant activities under the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

(c) Without limitation or restriction upon any of its other obligations under the Project Agreement, for the purpose of implementation of its relevant activities under the Project, Tamil Nadu shall: (i) enter into arrangements satisfactory to the Association with TNSCB, each DRDA, TNEB and CMWSSB; and (ii) cause TNSCB, each DRDA, TNEB and CMWSSB to carry out its respective activities under the Project in accordance with such arrangements and the provisions of this Agreement.

(d) Without limitation or restriction upon any of its other obligations under the Project Agreement, Pondicherry shall: (i) execute, and cause PIA to execute, a Memorandum of Understanding, in form and substance satisfactory to the Association; and (ii) cause PIA to carry out its respective activities under activities under Parts A, B, D and E of the Project in accordance with the Memorandum of Understanding.

Section 2.02. (a) 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, as the said provisions maybe further elaborated in the Procurement Plan of each Project State.

(b) Each Project State shall update its Procurement Plan in accordance with paragraph 5 of Schedule 2 to this Agreement and in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association’s approval.

Section 2.03. (a) Each Project State 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.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, each Project State 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 such Project State, a plan for the future operation of the Project; and
(ii) afford the Association and the Borrower a reasonable opportunity to exchange views with such Project State on the said plan.

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

(b) Each Project State 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 such Project State of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Each Project State shall, and shall cause its respective Project Executing Agencies to, establish and maintain a financial management system, including records and accounts and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project, of the departments and agencies of each Project State or its respective Project Executing Agencies responsible for carrying out the Project.

(b) Tamil Nadu shall, and shall cause TNPEAs to:

(i) have the records, accounts and the financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited and (B) an opinion on such financial statements, records and accounts and report of such audit, by the 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 and accounts and the audit of such financial
statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) Pondicherry shall, and shall cause PIA to:

(i) have the financial statements referred to in paragraph (a) of this Section for each six (6) months of each fiscal year, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than ninety (90) days after the end of each such six (6) months of each fiscal year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such six (6) months, as so audited, and (B) an opinion on such statements by the said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Each Project State shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association which:

(i) sets forth sources and applications of funds for the Project, both cumulatively and for the period covered by said report, showing separately the funds provided under the Credit and explains the variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by the said report; and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by the said report.

(b) The first FMR shall be furnished to the Association not later than November 15, 2005 and shall cover the period from March 23, 2005 through September 30, 2005; thereafter each Financial Monitoring Report shall be furnished to the Association not later than thirty (30) days after each subsequent calendar quarter and
shall cover the period not covered by the previous Financial Monitoring Report until the end of such calendar quarter.

**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 Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Project States 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 the Project States 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, 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 248423 (MCI) or (202) 477-6391
Washington, D.C. 64145 (MCI)

For TAMIL NADU

Chief Secretary
Government of Tamil Nadu
Secretariat
Fort St. George, Chennai
Tamil Nadu, India

Facsimile:
91-44-25672304

For PONDICHERRY

Chief Secretary
Government of Pondicherry
Secretariat
Pondicherry 605 001, India

Facsimile:
91-41-2337575

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 (a) Tamil Nadu may be taken or executed by its Chief Secretary or by such other person or persons as its Chief Secretary shall designate in writing, and Tamil Nadu shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person and (b) Pondicherry may be taken or executed by its Chief Secretary or by such other person or persons as its Chief Secretary shall designate in writing, and Pondicherry 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 New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael F. Carter
    Country Director
    India

STATE OF TAMIL NADU

By /s/ N. Sundaradevan
    Authorized Representative

UNION TERRITORY OF PONDICHERRY

By /s/ B.V. Selvaraj
    Authorized Representative
SCHEDULE 1

Procurement and Consultants’ Services

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. Limited International Bidding. Goods, which the Association agrees can be purchased from a limited number of suppliers, may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than $200,000 equivalent per contract and all contracts for works may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions agreed between the Borrower and the Association in writing from time to time.

3. Shopping. Goods, works and services (other than the Consultants’ services), estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
4. **Direct Contracting.** Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of paragraph 3.6 of the Procurement Guidelines. In addition, with the prior approval of the Association, goods of very small values estimated to cost less than $2,000 equivalent for each contract may be procured by Direct Contracting.

5. **Force Account.** Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

6. **Community Participation.** Goods and works required under Parts A.2 and B.2 (a) and B.2 (b) of the Project may be procured on the basis of Community Participation/Self-help Groups in accordance with paragraph 3.17 of the Procurement Guidelines following procedures set out in the Project Implementation Plan or the Operations Manual, as the case maybe.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality-and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $500,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based selection.** Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Selection Under a Fixed Budget.** Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. **Least-cost Selection.** Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. **Selection Based on Consultants’ Qualifications.** Services 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, 3.7 and 3.8 of the Consultant Guidelines.
5. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval by the Association.

7. **Service Delivery Contractors.** Services to be provided by data entry operators, social workers, staff nurses, laboratory technicians etc., may be procured in accordance with the provision of paragraph 3.21 of the Consultant Guidelines on the basis of procedures acceptable to the Association.

Section IV. **Review by the Association of Procurement Decisions**

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:

(a) (i) each contract for goods procured on the basis of International Competitive Bidding, Limited International Bidding;

(ii) first two contracts for goods procured by each TNPEA and by the PIA, on the basis of National Competitive Bidding; and

(iii) first two contracts for goods procured by each TNPEA and the PIA, and each contract of goods estimated to cost the equivalent of $30,000 or more, procured on the basis of Direct Contracting;

(b) first two contracts for works and services (other than consultants’ services) procured by each TNPEA and by the PIA and each contract for works and services (other than consultants’ services) estimated to cost the equivalent of $750,000 or more; and

(c) first two contracts for consultants’ services procured by each TNPEA and by the PIA and each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more shall be subject to Prior Review by the Bank.

All other contracts shall be subject to Post Review by the Association.
SCHEDULE 2

Implementation Program

Institutional Arrangements

1. For the purpose of managing the implementation of the Project:

(a) Tamil Nadu shall:

(i) establish, and thereafter maintain throughout the period of Project implementation, a state level Steering Committee, in a form and with functions, staffing and resources satisfactory to the Association, which shall be responsible, inter alia, for providing overall guidance to the TNPEAs;

(ii) establish, and thereafter maintain throughout the period of Project implementation, an Empowered Committee, in a form and with functions, staffing and resources satisfactory to the Association, which shall be responsible, inter alia, for according all approvals and sanctions for carrying out of the Project; and

(iii) establish, and thereafter maintain throughout the period of Project implementation, a Project Management Unit within OSRC, in a form and with functions, staffing and resources satisfactory to the Association, which shall be responsible for, inter alia, (A) overall coordination, monitoring and evaluation of Project implementation in Tamil Nadu, (B) acting as secretariat to the Steering Committee established pursuant to paragraph 1 (a) (i) above of this Schedule 2, and (C) preparing and furnishing the Financial Monitoring Reports to the Association in accordance with the provisions of this Agreement.

(b) Pondicherry shall:

establish, and thereafter maintain throughout the period of Project implementation, (A) an Empowered Committee at the union territory level, in a form and with functions, staffing and resources satisfactory to the Association, which shall be responsible for, inter alia, monitoring and supervision of PIA, and (B) Project Monitoring Committees at the regional level, in a form and with functions, staffing and resources satisfactory to the Association;
establish, and thereafter maintain throughout the period of Project implementation, a Project Implementation Agency (PIA), in a form and with functions, staffing and resources satisfactory to the Association; and

enter into a Memorandum of Understanding with PIA for, inter alia, vesting it with the overall responsibility of implementation and execution of the Project in Pondicherry, including the terms and conditions set out in paragraph 2 of this Schedule 2.

Memorandum of Understanding

2. Except as the Association shall otherwise agree, the Memorandum of Understanding shall include, inter alia, the following provisions:

   (a) Pondicherry shall agree to promptly make available the proceeds of the Credit to PIA on terms and conditions satisfactory to the Association;

   (b) PIA shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and to that end, it shall agree to undertake implementation of Project in Pondicherry with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices, and to provide, promptly as needed, the funds, facilities, services and other resources required therefore;

   (c) PIA shall agree to assume all obligations applicable or relevant to Pondicherry under this Agreement and to take all necessary actions necessary to implement the Project in Pondicherry;

   (d) PIA shall agree to carry out the activities under the Project in accordance with the Operations Manual and ESMF;

   (e) PIA shall agree to carry out activities under Parts A.2 and A.3 of the Project in accordance with the respective Housing Policy framework and the Housing Plan of Pondicherry;

   (f) Except as the Association shall otherwise agree, PIA shall agree not to waive any provision of the Operations Manual;

   (g) PIA shall undertake to procure the goods, works and services required for the Project and to be financed out of the proceeds of the Credit made available to PIA under the Memorandum of Understanding in accordance with the provisions of Schedule 1 to this Agreement, as the said provisions maybe further elaborated in the Procurement Plan of Pondicherry;
(h) PIA shall agree that the Association may from time to time inspect the goods, works and services under the Project including all records and documents thereto;

(i) PIA shall agree to assume and undertake the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisitions respectively) of the General Conditions in respect of the Memorandum of Understanding and Pondicherry’s portion of the Project;

(j) PIA shall agree to maintain a financial management system, including records and accounts and prepare financial statements in a format acceptable to the Association, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project, of the departments and agencies of PIA responsible for carrying out the Project in Pondicherry;

(k) PIA shall agree to:

(i) have the records, accounts and the financial statements referred to in sub-paragraph (j) above of this paragraph 2 for each six (6) months audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than ninety (90) days after the end of each such six (6) months (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such six months as so audited and (B) an opinion on such financial statements, records and accounts and report of such audit, by the 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 and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(l) PIA shall agree to undertake to assist Pondicherry in complying with the financial covenants prescribed by Article III of this Agreement;

(m) PIA shall agree that Pondicherry may suspend or terminate its right to use the proceeds of the Credit made available under the Memorandum of Understanding upon its failure to perform any obligations under the Memorandum of Understanding or upon notice by the Association that it intends to exercise its remedies under Article V of the Development Credit Agreement;
(n) PIA shall agree to promptly inform Pondicherry and the Association of any condition which interferes or threatens to interfere with the progress of its portion of the Project, the accomplishment of the purposes of the Credit under the Development Credit Agreement, or the performance of its obligations under the Memorandum of Understanding; and

(o) PIA shall agree that it shall, from time to time, at the request of Pondicherry or the Association

(i) exchange views with Pondicherry and with the Association (through Pondicherry) with regard to the progress of carrying out activities under the Project, its performance under the Memorandum of Understanding and other matters relating to the purposes of the Credit under the Development Credit Agreement; and

(ii) furnish all such information related thereto as may reasonably be required by the Association.

Project Implementation Plan

3. Tamil Nadu shall, and shall cause its respective Project Executing Agencies to, carry out the Project in accordance with the Project Implementation Plan; and, except as the Association shall otherwise agree, Tamil Nadu shall not amend or waive any provision of the Project Implementation Plan, if in the opinion of the Association, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the objectives itself.

Operations Manual

4. Pondicherry shall, and shall cause PIA to, carry out the Project in accordance with the Operations Manual and, except as the Association shall otherwise agree, shall cause PIA not to amend or waive any provision of the Operations Manual, if in the opinion of the Association, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the objectives thereof.

Procurement Plan

5. Within thirty (30) days from the Effective Date, each Project State shall prepare its Procurement Plan, satisfactory to the Association, covering the initial 18 months period (or longer) of Project implementation, and thereafter update such Procurement Plan from time to time to cover succeeding 18 months period (or longer) of Project implementation.
Internal Audit

6. (a) Tamil Nadu shall, no later than three (3) months from the Effective Date, appoint an internal auditor on terms of reference satisfactory to the Association;

(b) cause internal audits to be conducted for the period commencing from March 23, 2005 and ending on September 30, 2005, and, thereafter, for every quarter, in accordance with such terms of reference and in a manner satisfactory to the Association; and

(c) furnish to the Association the reports of such internal audits within a period of forty five (45) days from the end of each quarter beginning with the quarter ending on September 30, 2005.

7. For the purpose of implementation of the Project, Tamil Nadu shall recruit/depute/contract, and thereafter maintain, staff including financial management staff in TNSCB, the Fisheries Department and each DRDA, on terms of reference satisfactory to the Association.

ESMF

8. (a) Each Project State shall, and shall cause its respective Project Executing Agencies to, carry out the Project in accordance with the ESMF.

(b) Prior to carrying out activities under Parts A, B and C of the Project, the Project States shall, and shall cause their respective Project Executing Agencies to:

(i) undertake environmental and social screening for identifying any adverse environmental and social impacts of carrying out the Project;

(ii) prepare mitigation plans satisfactory to the Association to address the adverse environment and social impacts so identified; and

(iii) implement such mitigation plans in a manner satisfactory to the Association, all in accordance with the ESMF.

(c) The Project States shall not carry out, and shall cause their respective Project Executing Agencies not to carry out, any Project activities involving relocation of tsunami affected people to new areas under Parts A, B and C of the Project to be financed out of the proceeds of the Credit unless:

(i) to the extent practicable, the Project States make available land for such relocation that is owned by them and is free from
encumbrances and encroachments or obtain such land on a voluntary basis in accordance with procedures satisfactory to the Association; and

(ii) such relocation is carried out in accordance with the ESMF.

(d) Each Project State shall, and shall cause its respective Project Executing Agencies to, prior to any relocation of people to new areas involving involuntary resettlement, prepare resettlement plans satisfactory to the Association and consistent with the ESMF for such involuntary resettlement and shall implement such plans in a manner satisfactory to the Association; and

(e) Each Project State shall, and shall cause its respective Project Executing Agencies to, prior to any acquisition of private land for the purpose of implementing the Project, pay compensation to the owners of such land in accordance with the provisions of the ESMF.

Transit Shelters

9. Each Project State shall ensure, and shall cause its respective Project Executing Agencies to ensure, that transit shelters are built under Part A of the Project only to the extent, and for a period, that the same are required for the purpose of providing temporary accommodation to the Beneficiaries until the completion of construction/reconstruction of their houses.

10. Without prejudice to the provisions of paragraphs 3, 4 and 8 of this Schedule 2, each Project State shall:

(a) (i) implement Parts A.2 and A.3 of the Project in accordance with its respective Housing Policy Framework and its respective Housing Plan and with the objectives of ensuring that the housing options include features that encourage public-private participation, the options available to beneficiaries are owner-driven and the selection process is participatory;

(ii) establish arrangements satisfactory to the Association for purposes of implementation monitoring and quality review of Parts A.2 and A.3 of the Project; and

(iii) maintain institutional framework set out in its respective Housing Policy Framework and its respective Housing Plan in a manner satisfactory to the Association.
(b) carry out repair and reconstruction of existing houses and construction of new houses under Part A.2 (A) of the Project and restoration of damaged lands, farm ponds and dug wells under Part B.2 (a) of the Project:

(i) only to support those Beneficiaries who are living in the Tsunami Affected Areas and whose houses, agricultural and horticultural lands, farm ponds and dug wells and related infrastructure were damaged or destroyed, as determined in accordance with criteria satisfactory to the Association; and

for such purpose, enter into Memorandums of Understanding with the Beneficiaries or the Self-help Groups, as the case maybe, on terms and conditions satisfactory to the Association.

(c) implement Parts A, B and C of the Project in a manner consistent with the CRZ Notification;

(d) carry out civil works under Parts A, B and C of the Project to be financed out of the proceeds of the Credit in accordance with designs and standards and technical specifications satisfactory to the Association. Such designs, standards and specifications shall include, inter alia, adequate measures for mitigating adverse environmental and social impacts in accordance with the ESMF.

11. Each Project State shall, provide quarterly reports to the Association within thirty (30) days after the end of each quarter describing the progress achieved in implementing the Project. All such reports shall be prepared in a format satisfactory to the Association.

12. Each Project State shall provide to the Association technical and quality audits in respect of implementation of the Project in accordance with terms of reference and a timetable satisfactory to the Association.

13. Each Project State 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 no later than September 30, 2006 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
(c) review with the Association by October 31, 2006, or such later date as the Association shall request, the report 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 objective thereof, based on the conclusions and recommendations of the said reports and the Association’s views on the matter.