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Report No. 40581-IN

PROJECT PAPER
ON
PROPOSED ADDITIONAL FINANCING CREDIT
IN THE AMOUNT OF SDR 21.0 MILLION (US\$32.0 MILLION EQUIVALENT)
AND A PROPOSED ADDITIONAL FINANCING LOAN
IN THE AMOUNT OF US\$32.0 MILLION EQUIVALENT
TO THE REPUBLIC OF INDIA
FOR A
KARNATAKA COMMUNITY BASED TANK MANAGEMENT PROJECT

August 29, 2007

Sustainable Development Department
South Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective July 31, 2007)

Currency Unit = INR
INR 1.00 = US\$
US\$1.00 = INR 40.51

FISCAL YEAR
April 1 -- March 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Strategy	KCBTMP	Karnataka Community Based Tank Management Project
CBO	Community-based organization	MFI	Micro-Finance Intermediaries
CFAA	Country Financial Management Assessment	MTR	Mid-Term Review
CFT	Cluster Facilitation Team	MIS	Management Information System
CO	Community Organization	MOF	Ministry of Finance
DEA	Department of Economic Affairs	M&E	Monitoring & Evaluation
DPU	District Project Unit	M&L	Monitoring & Learning
EA	Environmental Assessment	NGO	Non-governmental Organization
EMF	Environmental Management Framework	O&M	Operation and Maintenance
EMP	Environmental Management Plan	PDO	Project Development Objectives
ERR	Economic Rate of Return	SC	Scheduled Caste
FY	Financial Year	SDR	Special Drawing Rights
FAR	Financial Administration Regulations	SHG	Self Help Group
FMIS	Farmer Managed Irrigation System	SPU	State Project Unit
GAP	Gender Action Plan	ST	Scheduled Tribe
GOK	Government of Karnataka	TA	Technical Assistance
IBRD	International Bank for Reconstruction and Development	TDP	Tribal Development Plan
IDA	International Development Association	TMI	Tank Management Institution
IGA	Income Generation Activities	TOR	Terms of Reference
IP	Implementation Progress	TUG	Tank User Group
ITDP	Integrated Tank Development Plan	TUC	Tank User Committee
JSYS	Jala Samvardhane Yojana Sangha	WIG	Women's Interest Group

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INDIA
KARNATAKA COMMUNITY BASED TANK MANAGEMENT PROJECT
ADDITIONAL FINANCING

TABLE OF CONTENTS

	Page
PROJECT PAPER DATA SHEET.....	1
I. INTRODUCTORY STATEMENT	2
II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING.....	2
III. PROPOSED CHANGES.....	5
IV. CONSISTENCY WITH CAS	7
V. ECONOMIC ANALYSIS OF ADDITIONAL FINANCING.....	7
VI. EXPECTED OUTCOMES	8
VII. BENEFITS AND RISKS	10
VIII. FINANCIAL TERMS AND CONDITIONS FOR THE ADDITIONAL FINANCING	11
ANNEX 1	12
ANNEX 2	15
ANNEX 3	16

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INDIA

**KARNATAKA COMMUNITY BASED TANK MANAGEMENT PROJECT
ADDITIONAL FINANCING**

SOUTH ASIA - SASSD

PROJECT PAPER DATA SHEET

Date: August 29, 2007 Country: India Project Name: Karnataka Community Based Tank Management--Additional Financing (Project ID: P102328)		Team Leader: Prabir Joardar Sector Director/Manager: Constance A. Bernard/G. Pathmanathan Country Director: Isabel M. Guerrero Environmental Category: B (partial assessment)			
Borrower: Republic of India					
Responsible agency: Jala Samvardhane Yojana Sangha, Karnataka					
Revised estimated disbursements (Bank FY/US\$m)					
FY	2008	2009	2010	2011	2012
Annual	4.00	12.00	18.00	20.00	10.00
Cumulative	4.00	16.00	34.00	54.00	64.00
Current closing date: January 31, 2012					
Revised closing date [if applicable]:					
Does the restructured or scaled-up project require any exceptions from Bank policies?					<input type="radio"/> Yes <input checked="" type="radio"/> No
Have these been approved by Bank management?					<input type="radio"/> Yes <input type="radio"/> No
Is approval for any policy exception sought from the Board?					<input type="radio"/> Yes <input checked="" type="radio"/> No
For Additional Financing					
<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Credit Grant For Loans/Credits/Grants: Total Bank financing (US\$m.): 64.00 Proposed terms: IDA Credit: Standard with 35 years maturity & 10 years grace. IBRD Loan: Payable in 20 years including 5 years of grace period; Variable Spread Loan in US dollars.					
Financing Plan (US\$ million)					
	Source	Local	Foreign	Total	
	Borrower	7.31		7.31	
	IBRD/IDA	64.00		64.00	
	Others (Beneficiary communities)	1.79		1.79	
	Total	73.10		73.10	

I. INTRODUCTORY STATEMENT

1.1. This Project Paper seeks the approval of the Executive Directors to provide additional finance of US \$ 64.00 million equivalent to the Karnataka Community Based Tank Management (KCBTM) Project (P071033), Credit number (Cr. 3635-IN) dated June 4, 2002, and further amended on April 29, 2005.

1.2. The proposed additional financing of US\$ 64.00 million equivalent in the form of a combination of IDA Credit and IBRD loan is aimed at scaling up the KCBTM project activities. The original project cost estimate at appraisal was SDR.80 million. However, after the tragic Tsunami of 2005, an amount of SDR 16.58 million was re-allocated to support the India Emergency Tsunami Reconstruction Project (Cr. 4054-IN, May 12, 2005), leaving a balance (net commitment) of SDR 63.42 million to meet the project's financing requirements. The Government of Karnataka subsequently requested additional Bank support to scale up project activities as part of the national program for "Revival and Restoration of Traditional Water Bodies" of the Government of India (GoI) which aims at creating rural infrastructure to facilitate accelerated reduction of rural poverty. Neither the project objectives nor the components will undergo any change under the additional credit/loan; and the expected outcomes envisaged under the project will not only be achieved but enhanced significantly.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

2.1. *Project Objectives and Scope:* The original Credit was approved on April 25, 2002 and became effective on July 8, 2002. The original project development objective (PDO) as defined in the Development Credit Agreement was: "To improve rural livelihoods and reduce poverty by developing and strengthening community-based approaches to improving and managing selected tank systems". The project is expected to facilitate sustainable tank development, ensure meaningful participation of traditionally marginalized tank users, increase agricultural productivity and farm income, and enhance income generating opportunities for non-command area tank users.

2.2. The original project design included provisions for the following activities or components: Component 1: establishing enabling environment for tank system development; Component 2: strengthening community development; and Component 3: undertaking tank system improvements. Following the Tsunami, a part of the credit was redeployed to the Emergency Tsunami Reconstruction Project to meet its immediate needs. Barring this, there was no restructuring of the project, and the development objectives remained valid through out the implementation period. The original objectives and design of the project would remain unchanged in the scaled up operation.

2.3. *Project Performance to Date:* Supervision ratings on both project development objectives (PDO) and implementation progress (IP) have been consistently satisfactory through out the life of the project, except once when the IP was rated as moderately satisfactory due to weaknesses noticed in the project management arrangements which required further strengthening to accelerate implementation progress. The mid-term review (MTR) undertaken in July 2006 reported that the project had made significant progress with respect to development of tank management institutions of user groups and

improving incomes and assets of poor farmers and other tank users. This was achieved by providing improved irrigation services and fostering improved agricultural practices, and from livelihood interventions leading to reduction of vulnerability. So far, the project has established 1518 Tank User Groups (TUG) to develop and manage some 1681 irrigation tanks. In addition, about 16% of the identified 2005 tanks are currently at the pre-planning/planning and TUG formation stages. Progress of project implementation is satisfactory. The development objectives of the project are still valid and likely to be fully achieved. Results on key performance indicators recorded in the latest monitoring & learning (M&L) report are attached at Annex 1.

2.4. *Community Participation and Social Development.* The project has made an encouraging impact in terms of increased community participation, incremental income and employment generation for the poor, and has established the viability of community based approaches and exhibited that community involvement in management of tanks can yield faster and improved results. It has demonstrated that consultation and participation of stakeholders is the key not only to inducing a sense of ownership, but also for sustainable management of tank systems. To achieve this objective, the project has adopted a “project cycle” consisting of four months of “pre-planning phase”, four months of “planning phase”, eight months of “implementation phase”, and four months of “post implementation phase”. Although this has worked fairly well in smaller and single village tanks with homogenous communities, there is a need for flexibility to address the seasonal factors involved in implementation, and the cohesion challenges posed by multiple villages and/or communities with larger size tanks.

2.5. *Institutional Aspects:* The operational performance of TUGs shows that the planning and implementation of integrated tank development plans (ITDP) have been largely participatory and transparent. The quality of performance of TUGs is fairly good in terms of participation, transparency, etc. The TUGs are facilitated and supported by multi-disciplinary community organizers, resource persons and subject matter specialists from 57 cluster facilitation teams (CFT) (formed by NGOs) and 9 district project units (DPU) of Jala Samvardhane Yojana Sangha (JSYS), the implementing agency. Functionaries and subject matter specialists of DPUs and CFTs have been trained in community organization, institutional development, participatory planning and implementation, livelihood development, gender issues, agricultural development, irrigation and water management, book keeping and accounts management, civil works design, construction supervision and quality assurance, etc. The CFTs are responsible for awareness creation and formation of TUGs, and with the guidance/assistance of DPUs, they have provided effective capacity building and handholding support to the TUGs in the formulation of ITDPs, design, implementation, and post-project operations, maintenance and management. Consequently, the TUGs established under the project have successfully prepared 1681 ITDPs and so far fully completed implementation of over 540 tanks. These TUGs have so far effectively mobilized about 560,000 tank users as a measure to ensure adequate representation of stakeholders in tank development and management.

2.6. *Involvement of Weaker Sections and Women.* The functional literacy program for women, organized by TUGs, has resulted in effective participation of women, even from vulnerable sections, in the decision making process. Overall representation of women is as high as over 49% in general bodies and 37% in executive committees. The 1518

women interest groups (WIG) formed as sub-committees of TUGs have about 15,625 active women members, and are playing key roles in addressing gender equity issues in the management of tank systems, which is also facilitating participatory decision making in TUGs. The women members are also playing important roles in the development and implementation of ITDPs. In respect of employment opportunities, women workers' involvement constituted 45% of the total wage days. Also, about 40% of the total wages are paid to women members. So far, 561 women self-help groups (SHGs) have been actively involved in the execution of civil works for tank development, of which works on 370 tanks have already been completed.

2.7. TUG general bodies have representation of about 15.05% of scheduled castes, 8.25% of scheduled tribes and 6.5% of other vulnerable groups, which has provided an effective institutional mechanism for these vulnerable groups to access the benefits from the improved tank systems. Such representation is very well institutionalised with the help of *by-laws* and guidelines prepared and adopted during the course of project implementation. The communities, in general, have accepted and recognized such vulnerable sections as stakeholders in the tank systems. Tank Users Committees (TUC), which are the management committees of TUGs, have representation from all stakeholders of the tank system. About one-third of TUC representatives are from women and vulnerable groups who have almost equal representation as office bearers of TUCs. There are a few instances where the community has opted for *all women management committees*.

2.8. *Rehabilitation and Resettlement*. The project has a well designed R&R policy to restore the livelihoods of project affected families. Though the encroachment issues, mostly in tank beds, were identified in about 50% of the tanks, only about 9% have qualified for rehabilitation measures as per the agreed project eligibility criteria, while the others have voluntarily relinquished the encroached lands. Resettlement action plans (RAP) developed and implemented for 82 qualified tanks had identified 443 eligible project affected families (PAFs). Over all, RAP implementation has been satisfactory. The recent independent impact study commissioned by JSYS has established the suitability of the policy for the future projects as well. The focus in the additional financing project will therefore be on capacity building and awareness generation on a continuing basis.

2.9. *Income Generation Activities (IGA)*. Initially, the project envisaged income generation activities under three sub-components, viz., the tribal development plan, gender action plan and agriculture. Subsequently, all these activities were merged into one to facilitate effective implementation. Under the initial plan for IGA, each beneficiary was provided with an assistance of Rs.2000 which was increased to Rs.5000 after the Mid Term Review of the project. IGA focussed on individual activities in the first two batches of ITDPs. From the third batch onwards, emphasis was shifted to group based activities. So far, 38,376 beneficiaries have been assisted under IGA, of whom over one third belong to scheduled caste and scheduled tribe communities.

2.10. *Livelihood Enhancement and Reducing Risks and Vulnerability of the Poor*: Over 3,600 women SHGs involving 73,900 households in 1,032 tank villages have been strengthened and/or formed and provided institutional representation in the TUGs. These groups are actively involved in planning and implementation of ITDPs, and in other

functions of the TUGs. Over 400 SHGs were involved in direct execution of civil works which enabled the project to create additional employment opportunities for the vulnerable families. The livelihood support activities of the project have benefited over 38,500 poor and vulnerable families to establish viable tank based livelihood activities. Apart from the economic assistance provided by the project, the SHGs have internally mobilized Rs.38.2 million as investment cost, and the collective efforts of TUGs and SHGs have resulted in mobilizing Rs.81 million from commercial banks and other financial institutions for IGA. The 57 CFTs and the 9 DPUs have successfully mobilized technical services from line departments such as animal husbandry, fisheries, agriculture, etc. to enhance the technical and managerial skills of the vulnerable families, women, SHGs and TUGs. This has resulted in encouraging improvements in the incomes of vulnerable groups. The project is also supporting development of market linkages with cooperatives and the private sector, resulting in better prices and assured marketing arrangements for the local produce.

2.11. *Rationale for Additional Credit:* The ongoing project has exhibited that given necessary inputs and financial support, large agricultural areas which were earlier dependent mainly on rainfall due to limited support from tank-based irrigation systems, could be immensely benefited if communities take up the responsibility of managing tank systems and providing improved irrigation and water management services. Main problems in the traditional tank system management are human and financial constraints and a piece-meal approach to tank development which focuses only on physical works and command areas. GOK has now realized that empowerment of TUGs resulted in effective management of not only the tank systems, but also other important aspects, such as collection of water charges by communities for effective operation and maintenance, equitable distribution of available water, use of stored water for other income generating activities, and use of silt for improving the fertility of agricultural lands. The on-going project has produced encouraging outputs in terms of effective community participation; physical improvement of tank systems, including some foreshore and catchment areas; shifts in cropping patterns, including crop diversification; increased availability of ground water due to enhanced recharge; and most importantly, incremental income and employment generation for the rural agrarian communities, including weaker sections and women. Data from the M&L report and subsequent economic analysis established that the project is having significant positive impacts with an estimated economic internal rate of return of 21.6%, as indicated in para 5.2, which is very encouraging. The GOK is now fully committed to scale up this program to enhance sustainable management of tank systems in the State. The proposed additional financing will enable project activities to be scaled up and expanded to 38 taluks in an additional 8 districts.

III. PROPOSED CHANGES

3.1. Neither the original project objectives nor the components will undergo any change. The implementation arrangements under the additional financing would be more or less the same as for the ongoing project as these are generally working well. Overall project management will continue to be the responsibility of the JSYS. The only change will be in the expansion of geographic coverage—from the current 9 (nine) districts to an additional 8 (eight) districts. In addition, some minor modifications in implementing

arrangements would be made to reflect the needed refinements as gathered from the monitoring and learning exercise.

3.2. Additional financing would cover some 1225 tank systems to be finally selected following a bottom up approach from the shortlists of 1649 tanks with command areas ranging from 20 to 200 hectares. These tanks are currently under the management of the concerned Zila Panchayats (tanks with less than 40ha command area) and the Minor Irrigation Department (tanks having command areas greater than 40ha). The additional geographical coverage would include 38 taluks in the districts of Belgaum, Bijapur, Chikkamagalur, Davanagere, Dharwad, Hassan, Shimoga and Uttara Kannada, in 5 (five) agro climatic zones of the state. The additional financing project will bring an estimated additional 52,420 hectares under improved irrigation, benefiting an estimated additional 69,900 farm families (about 350,000 individuals), over 90% of whom are small and marginal farmers. In addition, it is also estimated that about 40,000 families (comprising landless, ST, SC and marginal and small farmers in order of preference) within the influence area of the tank systems will get benefits from various income generation activities planned under the project.

3.3. The existing financial management (FM) system of JSYS with some enhancements and linkages with management information systems (MIS) at various levels will generate the capacity within JSYS to track the use of funds and provide the Bank with accurate and timely information on the status of the project. The FM manual has recently been revised and updated to incorporate experience from the ongoing project. The procedures and arrangements for fund flow to TUGs have been modified and streamlined to ensure greater accountability, and to address the issues of transparency and the problems related to outstanding advances. The revised FM manual with its new procedures will be used for accounting and reporting for the program under additional financing. The existing FM organization of JSYS will be expanded and strengthened by inclusion of more staff with appropriate qualifications and upgraded systems to support scaled up operations under the additional financing. As a part of the project design, regular audits, even at the TUG level, will be carried out by independent external agencies.

3.4. The procurement arrangements under the additional financing will be based on the revised Procurement Manual (July 16, 2007) and the corresponding procurement plan, which incorporates lessons learned from the implementation of the original project. However, the thresholds for procurement methods and supervision limits have been modified to ensure that these take into account the current day requirements. Based on the past experience, the procurement risk for the additional financing project has been assessed as "Low". The additional financing project will follow the procurement guidelines of May 2004, revised in October 2006.

3.5. Brief description of the activities and project components to be funded under the proposed additional financing are given below:

- **Component 1: Establishing Enabling Environment for Tank System Development** (US\$6.99M). Establishing a conducive environment and institutional basis for community-based tank management; developing a decision

support system for planning, operation & management; and strengthening project coordination and management at all levels.

- **Component 2: Strengthening Community Development (US\$18.35M).** Human and institutional resource development and strengthening of local institutions; preparation and implementation of safeguard action plans and gender action plans; and assistance for each tank system developed under the project.
- **Component 3: Undertaking Tank System Improvements (US\$47.76M).** Improving the physical and operational performance of about 1225 tank systems within the project area; providing the TUGs with appropriate administrative and management support for implementing and managing the subprojects; promoting other income generation activities for members of local tank user communities who have little or no access to land resources, and developing appropriate technologies suitable to the general conditions found in tank systems

IV. CONSISTENCY WITH CAS

4.1. The original KCBTMP and the proposed additional financing credit/loan are fully consistent with the Bank's Country Strategy for India (August 2004), which is also in consonance with GOK's strategy on comprehensive pro-poor development and decentralized management of tank systems. The project will contribute to these goals by forming and strengthening community organizations, and by developing human and social capital. The community based development approach will continue to aim for targeted interventions to the poor and socially marginalized groups, and build and scale up successful community initiatives in support of GOK's goals of empowering the poor and the most vulnerable in the society and strengthening community based organizations for enhancement of livelihoods of poor marginal and small farmers.

4.2. The project supports the Millennium Development Goals of improving incomes of the poor and alleviation of poverty, and promoting gender equality and empowering women.

V. ECONOMIC ANALYSIS OF ADDITIONAL FINANCING

5.1. Economic analysis has been undertaken of the benefits generated from the additional financing project investments for enhancing agricultural productivity and income through TUG-led physical improvements in the tank systems and livelihood support services which account for nearly 76.5% of the project costs. Average size of farm holdings in the 1225 tank commands is 0.75 hectare, supporting a family size of five, and over 90% of these farmer families belong to the small and marginal categories. The expected benefits for the physical system improvements will flow from several sources, such as irrigated area expansion, agricultural intensification (cropping intensity, high value crops and technology), and diversification (fisheries and livestock), and significant reduction in water scarcity impacts. The expected benefits from income

generating activities would mainly be from four key interventions, namely, milch animals, sheep and goat rearing, vermicompost and horticulture, which account for about three-quarters of the activities availed by the beneficiaries in the on-going project. The project cost is estimated at Rs.3069.90 million, including contingencies, which is equivalent to US\$ 73.10 million.

5.2. The economic rate of return (ERR) for the supplemental project is estimated at 21.6%. Sensitivity analysis indicates that the project is able to absorb substantial negative impacts yet still generate robust ERRs. Financial analysis was carried out for four major income generation activities for some sample tanks in the ongoing project. The financial rate of return varied from 21% to 35% for the main income generation activities. On an average, even with 50% success rate, one IGA beneficiary is able to generate incremental financial benefits of Rs.4250/year, which would enable at least one member of the IGA beneficiary family to move above the poverty line. Similarly, from improved irrigated agriculture, an average holding size of 0.75 ha in the tank command is expected to generate incremental financial benefits of Rs.9770/year at full project development, which would enable at least two members of the beneficiary family to move above the poverty line¹. Thus, it is expected that about half of the project beneficiaries below the poverty line (BPL) will move above the poverty line after implementation of all project related activities.

VI. EXPECTED OUTCOMES

6.1. The project has a functional monitoring and learning (M&L) system that is currently tracking implementation progress and outcomes with respect to different activities under the project. The independent evaluation studies at the MTR of the project have shown significant progress on various project aspects. However, the M&L system needs to be strengthened to streamline the data collection, documentation, and analysis and feedback process. As an important management tool, the M&L system should be able to track the status of project supported institutions - the self-help groups, women's interest groups, tank management institutions or tank user groups, cluster facilitation teams, district project units and the district level assessment committees. It should be able to provide credible information on implementation progress of the project against key result (output and outcome) indicators. The M&L system would therefore be further strengthened to be able to track the impact of project investments on livelihoods and the quality of life of the target families. Key outputs and outcomes with respect to institutional performance and quality have been identified and agreed with the project.

6.2. Monitoring indicators for the on-going project were developed using log frame. The indicators used at that stage were too many in number, making it difficult to effectively capture project outcomes. Consequently, only a limited number of measurable indicators were used in the ISR for monitoring outcomes. Appreciating this shortcoming, the task team has developed a new results framework which is in line with the current practice of results monitoring, and would be using this for monitoring the project

¹ At 2007 prices, per capita income level of INR 4,240 is the GoI's Poverty Line for rural Karnataka [National Human Development Report, Planning Commission, GoI]

outcomes in future, both for the scaled up operations as well as for the on-going project activities. Annex 3 shows the new results framework.

VII. BENEFITS AND RISKS

7.1. **Risks:** The additional financing project has identified six key risks that need to be addressed; however, these are considered quite manageable and therefore the overall risk assessment is judged to be medium.

S. No.	Risk	Mitigation	Risk Rating
1.	Political commitment to people's based decentralized tank management system	The commitment of the GOK has been sustained in spite of the elections and political changes. The scale and strength of the institutions supported under the project and the impact on the livelihoods and quality of life of the rural poor and farmers have been well demonstrated. Legal empowerment of TUGs and their use as a vehicle for poverty reduction and women's empowerment will ensure continued political support.	Low
2.	Vulnerable groups are excluded from the village level decision making process	Tank-use rights of vulnerable groups including women have been protected and strengthened by making them members of all TUGs with good participation of particularly women and SC communities in many executive committees. TDPs and GAPs have been prepared describing specific operational interventions in this regard.	Low
3.	Large farmers over exploit ground water, drawing water illegally from tank systems	TUGs are dominated by small and marginal farmers and inclusive membership of TUGs provides a forum for negotiating and agreeing upon usage rights. In addition, high electric power tariff discourages inefficient or excess usage of electric pumps.	Medium
4.	Monitoring and learning systems not robust enough to effectively track progress towards sustainability	The M&L system is being strengthened to track the status of project supported institutions - SHGs, WIGs, TUGs, CFTs, DPUs and the District Level Assessment Committees with respect to the key outcome indicators.	Medium
5.	Financial Management System is inherently weak due to CDD nature of the project and also as it will be implemented by a large number of TUGs with varying capacities, scattered all over the state.	The existing FM arrangements within JSYS will be further strengthened and linkages with MIS at various levels established to generate capacity within JSYS to track the use of funds and provide accurate and timely information on the status of fund utilization. In addition, TUG capacities will be enhanced by intensive training, and TUG accounts regularly monitored by external auditors.	Substantial
6.	Procurement manual may not address the current requirements of transparency, disclosure and complaint redressal.	The original procurement manual has been revised and updated. The thresholds for procurement methods to be followed for the additional financing project and the strategy for supervision have been revised. Also, requirements of disclosure, complaint redressal, procurement audit and record keeping have been clearly defined and added.	Low

VIII. FINANCIAL TERMS AND CONDITIONS FOR THE ADDITIONAL FINANCING

8.1. India is eligible for IDA financing which is the financing instrument for the on-going project. However, according to the recent policy of the Government of India, projects falling under the restoration and rehabilitation of derelict water-bodies category will be financed by a combination of IDA Credit and IBRD loan. Balance fund requirements will be met by Government contribution, with a small financial contribution (on an average 4% of the cost of civil works) by the beneficiaries, in line with the on-going project.

8.2. The disbursement arrangements for the additional financing would be based on a separate Financial Agreement, Loan Agreement and Project Agreement prepared following the current procurement guidelines and financial management practices as adopted for recently approved similar projects in India. Applications for disbursements will be made based on quarterly interim unaudited financial reports (IUFRR) which will adhere to the financial management manual prepared for the project and would reflect the actual expenditure during the reporting period. Any discrepancies between the expenditures reported in IUFRRs and those certified in the annual audit reports will be adjusted in subsequent disbursements. A separate designated account would be maintained in the RBI and would be operated by the DEA of GOI. The designated account would be operated in accordance with the Bank's operational policies.

ANNEX 1

KEY RESULT ACHIEVEMENTS OF THE KCBTMP TO DATE

BASED ON LATEST REPORTS (as on May 31, 2007)

<i>PAD Results Framework: Outcomes</i>			
PDO	Component wise outcome Indicators	Output Indicators	Project Achievements
<p>Improve rural livelihoods and reduce poverty by developing and strengthening community-based approaches to improving and managing selected tank systems</p>	<p>1. Establishing an enabling environment for tank development</p>	Institutional and social capacity Building	
		<p>Policy and legal measures taken by the State to create an enabling environment,</p>	<ul style="list-style-type: none"> • Tank Maintenance Policy is in place from 2002, envisaging transfer of management to TMIs. • Amendment to Irrigation Act for empowerment of TUGs and Grama Panchayath (GP) sub-committees managing tanks – Cabinet approval awaited. • Fisheries Rules issued (in 2006) to provide long term leasing rights to TMIs in minor irrigation tanks • Creation of Panchayath Raj (Tank Management) Rules for Tank User's involvement in tanks managed by GP sub-committees – under process in RDPR Dept. • Long-term plan for institutional reform for tank management has been prepared and waiting for Cabinet approval
		<p>Number of multi-disciplinary experts at state and district levels</p>	<p>Irrigation Engineers – 63 Social / Insti. Specilaists – 50 Agri. / Evt. /Mktg., Spl. – 26 Communication Spl.– 6 MIS / M&L / GIS Spl. – 7 Finance & Procurement – 14 Project Management - 11</p> <p align="right">Total – 171</p>
		<p>Number of tanks with ITDPs</p>	1681
		<p>No. of NGOs/CFTs involved in facilitation activities</p>	57
		<p>Corpus of savings made by TUGs</p>	<p>Rs. 43.8 million</p>

PAD Results Framework: Outcomes			
PDO	Component wise outcome Indicators	Output Indicators	Project Achievements
		Volume of revolving fund	Rs.134.9 million (based on report from 1334 TMIs)
		No. of SHGs and IGA groups linked to Banks	3731
		Community Institutions	
		No. of TMIs formed with functional bylaws	1518 (1421 –Societies + 97- GPSCs)
	2. Strengthening Community Development	No. of poor mobilized into TMIs	560,000
		% of SC/ST and other vulnerable groups in the TMI management positions	SC – 15.05 % ST – 8.25 % Others – 6.50 %
		% of women beneficiaries	49.71 % General Body of TMIs
	3. Undertaking Tank System Improvement	% increase in volume of water captured in rehabilitated tanks	4.35%
		% increase in productivity of selected crops	1. Paddy – 11.0 2. Ground nut - 13.6 3. Sunflower- 11.4 4. Green gram - 23.9 5. Maize - 8.9
		Amount of fish produced in upgraded tanks and average income generated by TUGs	322.50 Metric Tons Rs.30,103.65 / TMI (253 tanks)
		Amount of income obtained from other tank related activities	Average Rs.4,250 per beneficiary per year (38,376 beneficiaries)
		No of on farm demonstrations conducted and number of new technologies adopted	1. WMD - 180 2. ACD - 216 3. HCD - 109 No. of technologies adopted - 12
	Other achievements	Resource mobilization	
		Total financial flows to the TMI	Rs. 1518.7 million
		Total amount used for IGAs	Rs.134.9 million

<i>PAD Results Framework: Outcomes</i>			
PDO	Component wise outcome Indicators	Output Indicators	Project Achievements
		No of SHGs linked to Banks	3731
		% of women SHGs with Banks linkages	100 %
		Volume of credit provided to IGAs by commercial banks	Rs.97.8 million

ANNEX 2

**INDIA: KARNATAKA COMMUNITY BASED TANK MANAGEMENT
PROJECT
ADDITIONAL FINANCING**

SCHEDULE FOR WITHDRAWAL OF PROCEEDS

	Category	Amount of the IDA Credit Allocated (Expressed in SDR)	Amount of the IBRD Loan Allocated (Expressed in US\$)	% of Expenditures to be Financed
(1)	(1) Goods, works, and services, training workshops, study tours, NGOs, Educational & Research Institutions, Incremental Operating Costs and TS subprojects under Part C of the Original Project	SDR 21,000,000	32,000,000	90%
(2)	(2) Front-end Fee			
(3)	TOTAL AMOUNT	SDR 21,000,000	32,000,000	

ANNEX 3

Results Framework and Monitoring

Project Development Objectives	Outcome/impact indicators for the PDO	Use of result information
To improve rural livelihoods and reduce poverty by developing and strengthening community-based approaches to improving and managing selected tank systems	<p>1.1 Self managed and sustainable Tank User Groups established, covering at least 85% of the traditionally marginalized tank users organized under the Tank Management Institutes;</p> <p>1.2 At least 50% of farmers in the upgraded Tank Command Area increased production of major crops by 35% and income by at least 25% of the baseline;</p> <p>1.3 At least 75% of landless tank users increased their income by 50% of the baseline value via the Income Generation Activities.</p>	1.1-1.3 At annual reviews and during the MTR success of capacity building and livelihoods interventions will be evaluated and the intervention models adjusted if effectiveness of the implementation process is inadequate to achieve project objectives.
Intermediate results by component	Result indicators for each component	Use of result monitoring (work in progress)
<p>Component one:</p> <p>1a. Establishing an enabling environment for tank development</p>	<p>1.1 Legal and institutional framework for community based tank management across the state established.</p> <p>1.2 Number or percentage of TMIs with PRI approved action plans for tank rehabilitation and development;</p> <p>1.3 At least 75% of the TUGs have implementation strategy approved by the MTI, which includes water use and cropping plans, fee collection plans for O&M, and offshore maintenance schedules.</p>	<p>1.1 PY-1 evaluates the policy and institutional changes made to ensure sustainability of the tank systems and suggests improvements if found below the expected standards.</p> <p>1.2- 1.3 Annual reviews would assess the institutional aspects of the tank systems and recommend improvement ideas for robust and sustainable up keep of the tank systems.</p>
1b. <i>Project Management</i> - The project is well managed and coordinated at the State, District and Cluster levels	<p>1.4 Project Monitoring and Learning System established, including IIMS, learning and experience sharing forums at different levels of project management</p> <p>1.5 Project implementation procedures and fiduciary aspects are effectively facilitated in at least 85% tank systems.</p>	<p>1.4 From PY1 onwards intensify efforts to develop and establish Learning mechanisms and MIS</p> <p>1.5 From PY1 monitor the implementation standards and make review strategy, conduct staff training, etc. for course correction.</p>

Intermediate results by component	Result indicators for each component	Use of result monitoring (work in progress)
<p>Component two 2. Strengthening Community Development</p>	<p>2.1 Number of TMIs and TUGs established voluntarily after the PRA and PLA activities facilitated by the CFTs. 2.2 Number or percentage of landless tank users (disaggregated by caste, tribe, gender) organized in SHGs and benefiting from income generation activities. 2.3 Number or percentage of poor women in management position both in TMIs and TUGs.</p>	<p>2.1-2.3 Annual reviews would assess community organizations and actions taken to strengthen them. If progress is below the expected level and standard, corrective measures would be taken.</p>
<p>Component three 3. Undertaking Tank System Improvement</p>	<p>3.1 Number of percentage of tanks rehabilitated as per the technical and engineering specifications; 3.2 Irrigated area increased by at least 25% after rehabilitation, 3.3 At least 60% of farmers practiced double cropping and improved farming practices, 3.4 At least 60% the tanks are used for fishery activities and on an average a minimum of Rs 40,000 generated annually. 3.5 Due to the recharging effect of the tanks, water levels of the surrounding wells increased at least by 1.5 m.</p>	<p>3.1-3.4 annual reviews would determine effects of the rehabilitated tanks and suggest improvement ideas if found significantly below the expected standards.</p>