

CONFORMED COPY

CREDIT NUMBER 3529 IN

Project Agreement

(Rajasthan Second District Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF RAJASTHAN

Dated July 27, 2001

CREDIT NUMBER 3529 IN

PROJECT AGREEMENT

AGREEMENT, dated July 27, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATE OF RAJASTHAN, acting by its Governor (Rajasthan).

WHEREAS: (A) 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 fifty eight million five hundred thousand Special Drawing Rights (SDR 58,500,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Rajasthan agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Rajasthan, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Execution of the Project

Section 2.01. (a) Rajasthan declares its commitment to the objective of the Project, and, to this end, shall carry out the Project, and shall cause RCPE to carry out the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial and educational 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, Rajasthan shall, and shall cause RCPE to, carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

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. Rajasthan shall, and shall cause RCPE to, 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.

Section 2.04. (a) At the request of the Association, Rajasthan shall, and shall cause RCPE to, exchange views with the Association through the Borrower with regard to the progress of the Project, the performance of their respective obligations under the Project, and other matters relating to the purposes of the Credit.

(b) Rajasthan shall, and shall cause RCPE to, 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 Rajasthan and RCPE of their respective obligations under the Project.

Section 2.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Rajasthan shall, and shall cause RCPE to:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association and the Borrower 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 Rajasthan, a plan as to Rajasthan's intentions to ensure the sustainability of the Project and incorporating the results of the second review conducted pursuant to Section 3.05 of the Development Credit Agreement and paragraph 12 (c) of Schedule 2 to this Agreement; and

(b) afford the Association a reasonable opportunity to exchange views with Rajasthan, RCPE through the Borrower on said plan.

ARTICLE III

Financial Covenants

Section 3.01. (a) Rajasthan shall, and shall cause RCPE 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 financial management and accounting practices the operations, resources and expenditures related to the Project of the departments or agencies of Rajasthan responsible for carrying out the Project or any part thereof and of RCPE.

(b) Rajasthan shall, and shall cause RCPE to:

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

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such Fiscal Year:

(A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Fiscal Year as so audited, and (B) an opinion on such financial statements, records and accounts and a 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, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Rajasthan shall, and shall cause RCPE to, 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 3.01 in order to enable RCPE, not later than October 1, 2002, 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, Rajasthan shall cause RCPE to prepare, in accordance with the 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.

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 Rajasthan 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 twenty (20) years after the date of this Agreement.

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

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

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this

Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or 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. 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)	1-202-477-6391

For Rajasthan:

Chief Secretary
Government of Rajasthan
Jaipur
Rajasthan, India

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Rajasthan may be taken or executed by its Chief Secretary or such other person or persons as Rajasthan shall designate in writing, and Rajasthan 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/ Edwin Lim

Country Director, India

STATE OF RAJASTHAN

By /s/ O.P. Beharti

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996,

September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the 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: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost more than \$20,000 equivalent per contract shall be procured under contracts awarded, in accordance with procedures acceptable to the Association.

(b) Goods (except vehicles) estimated to cost \$300,000 equivalent or less per contract, up to an aggregate amount not to exceed \$2,630,000 equivalent, may be procured under contracts awarded in accordance with procedures acceptable to the Association.

2. Procurement of Small Goods (Except Vehicles)

(a) Goods (except vehicles and proprietary software) estimated to: (i) cost \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$1,300,000 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; and (ii) cost \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured by direct contracting in accordance with the provision of paragraph 3.7 of the Guidelines.

(b) (i) Books estimated to cost \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$3,050,000 equivalent; and (ii) proprietary software, up to an aggregate amount not to exceed \$50,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

(c) Contracts for procurement of incentive items/supplies for focus group children referred to in paragraph 2(d) of Part A of Schedule 1 to the Development Credit Agreement, estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$4,800,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. Vehicles

Vehicles estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$570,000 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.

4. Procurement of Small Works

Works estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$23,300,000 equivalent, may:

- (i) be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines up to an aggregate amount not to exceed \$1,150,000 equivalent;
- (ii) be procured 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

- (iii) be procured under the unit/piece rate through qualified contractors or registered non-governmental organizations, other beneficiary associations or Village Panchyats; or
- (iv) as a last resort be carried out by force account if they meet the requirements of the provision of paragraph 3.8 of the Guidelines up to an aggregate amount not to exceed \$1,150,000.

5. Contracts for Hiring of Vehicles, and Operation and Maintenance of Equipment and Vehicles

Contracts for hiring of vehicles, and operation and maintenance of equipment and vehicles referred to in paragraph 2(c) of Part A of Schedule 1 to the Development Credit Agreement, estimated to cost \$20,000 equivalent or less per contract or up to an aggregate amount not to exceed \$1,000,000 may:

- (i) up to an aggregate amount not to exceed \$500,000 equivalent, be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines; or
- (ii) 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.

Part D: 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 an annual procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for works estimated to cost more than the equivalent of \$300,000; (b) each contract for goods (except vehicles) and books estimated to cost more than the equivalent of \$300,000; (c) each contract for vehicles estimated to cost more than equivalent of \$100,000; (d) the first contract for works awarded under paragraph 1(a) of Part C of this Section I; and (e) the first contract for goods awarded under paragraph 1(b) of Part C of this Section I, 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: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank 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 (b) 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

1. 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.

2. 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 services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications or Single Source Selection

Services: (a) for publicity, training and workshops; and (b) in the areas of information, education, communication, civil works, management information system and educational research, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,620,000 equivalent, may:

(i) be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines; or

(ii) with the Association's prior agreement services estimated to cost \$1,000 equivalent or more per contract be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for institutional strengthening under Part C of the Project estimated to cost \$10,000 equivalent or less per contract, up to an aggregate amount not to exceed \$5,870,000 equivalent, may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 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 an annual 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 estimated to cost the equivalent of \$200,000 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 consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) 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.

(d) Without limitation on any other provisions of this paragraph 2, terms of reference for all consultants' services estimated to cost the equivalent of \$12,000 or more per contract in the case of firms, and the equivalent of \$5,000 or more per contract in the case of individuals, shall be furnished to the Association for its prior review and approval, and the contracts for such services 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

1. Rajasthan shall, and shall cause RCPE to, carry out the Project in accordance with: (i) the DPEP Guidelines; and (ii) the Project Implementation Plan.
2. Rajasthan shall, and shall cause RCPE to, as appropriate: (i) by December 31, 2001, complete the appointment of individuals with adequate skills, qualifications and experience to the positions in SPO and each DPO as specified in the Project Implementation Plan; and (ii) at all times maintain SPO, DPOs, DIETs, SIERT and CEM with powers, functions, staff, resources and facilities necessary for the effective implementation of the Project.
3. Rajasthan shall ensure that at least ninety five percent (95%) of the teachers' posts in the Project Districts, starting June 1, 2002, remain filled with teachers throughout the Project implementation period.
4. Rajasthan shall, and shall cause RCPE to, establish by December 31, 2001, and thereafter maintain in all the Project Districts a SMC or WEC for each school (including an alternative school) in accordance with the criteria and procedures set forth in the Project Implementation Plan.
5. Rajasthan shall, and shall cause RCPE to, establish by September 30, 2001, and thereafter maintain, technical resource groups in all the Project Districts to assist in the development and implementation of the Project, in accordance with the criteria and procedures set forth in the Project Implementation Plan.
6. By December 31, 2003 and December 31, 2006, Rajasthan shall, and shall cause RCPE to conduct achievement surveys, and furnish to the Association the results of such surveys, including data, as of September 30, 2003 and September 30, 2006, respectively, for all the Project Districts on: (i) the enrollment of children in the age group of 6 to 11 years in primary education; (ii) the primary education dropout rates; and (iii) mathematics and language achievement scores of children in primary education, all with separate categories for females, Scheduled Castes, Scheduled Tribes and other backward classes.
7. By March 31, 2004, Rajasthan shall, and shall cause RCPE to: (i) arrange for evaluation of early childhood education centers, alternative schools, changes in classroom teaching practice, functioning of BRCs, CRCs and SMCs and quality of civil works; and (ii) share the results of such evaluations with the Association.
8. Rajasthan shall, and shall cause RCPE to, ensure that no involuntary resettlement arises from any use of land, or change of land use for the Project, except to the extent that the Association agrees in writing prior to any land use that the arrangements for such involuntary resettlement, if any, are satisfactory to the Association.
9. Rajasthan shall, and shall cause RCPE to:
 - (a) implement the Project in accordance with strategies for improving primary education for children from socially and economically disadvantaged groups as set forth in the Project Implementation Plan; and
 - (b) implement the Project in all tribal areas (as designated by Rajasthan in accordance with applicable state laws) in accordance with procedures and strategies for the delivery of the Project benefits to tribal people as set forth in the Project Implementation Plan.

10. Rajasthan shall, and shall cause RCPE to, ensure that the resources provided for primary education under the Project (including without limitation teaching and learning materials and school facilities) will be used exclusively for purposes of primary schools and primary sections of other schools.

11. Rajasthan shall take all such actions as may be necessary or appropriate in order to require and enable RCPE to carry out its obligations under the Memorandum of Understanding and the functions entrusted to it under this Agreement, all in a manner satisfactory to the Association.

12. Rajasthan shall, and shall cause RCPE to:

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

(b) prepare and furnish to the Association and the Borrower on two occasions by March 31, 2004 and October 31, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph on the progress achieved in the carrying out of the Project during the period preceding the date of each such report (including, in the case of the first such report, the results of the evaluation referred to in paragraph 7 above) and setting forth the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof; and

(c) conduct in-depth reviews with the Association and the Borrower by April 30, 2004 and November 30, 2006, or such later date as the Borrower and the Association shall agree, of the respective reports referred to in sub-paragraph (b) of this paragraph, and after the first review, 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 first report and the Association's views on the matter.

