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(Amendment)

Agreement Amending Project Agreement

(Uttar Pradesh and Uttaranchal Third District Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATES OF UTTAR PRADESH AND UTTARANCHAL

Public Disclosure Authorized

Dated May 12, 2003



AGREEMENT AMENDING PROJECT AGREEMENT

AGREEMENT dated May 12, 2003 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATES OF UTTAR PRADESH and UTTARANCHAL (the Project States);

WHEREAS (A) by the Development Credit Agreement dated February 23, 2000 as amended by the Agreement Amending the Development Credit Agreement of even date herewith, between the Borrower and the Association (the Development Credit Agreement), the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred thirty-two million three hundred thousand Special Drawing Rights (SDR 132,300,000) (the Credit) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) by the Project Agreement dated February 23, 2000 between the Association and the State of Uttar Pradesh (the Project Agreement), the State of Uttar Pradesh (Uttar Pradesh) has agreed to undertake certain obligations with respect to the carrying out of the Project;

(C) the Borrower has advised the Association through Gazette Notice No. 37 dated August 25, 2000 of the enactment of the Uttar Pradesh Reorganisation Act, 2000 creating the new State of Uttaranchal (Uttaranchal), formerly a part of Uttar Pradesh; and

(D) the Borrower has requested the Association to amend the Project Agreement to take into account the creation of Uttaranchal and the obligation of Uttaranchal to carry out part of the Project.

NOW THEREFORE the parties hereto hereby agree to amend the Project Agreement as follows:

A. Preamble

1. The first two Recitals of the Preamble each beginning with the word "WHEREAS" are amended to read as follows:

“WHEREAS (A) by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to one hundred thirty-two million three hundred thousand Special Drawing Rights (SDR 132,300,000) 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;

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;”.

B. Execution of the Project

1. Section 2.01 is amended to read as follows:

“Section 2.01. (a) Each Project State declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project, and cause its Project Implementation Entity to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices, and shall provide, and 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, each Project State shall, and shall cause its Project Implementation Entity to, carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.”

2. Section 2.03 is amended to read as follows:

“Section 2.03. Each Project State shall, and shall cause its Project Implementation Entity 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.

3. Section 2.04 is amended to read as follows:

“Section 2.04. (a) At the request of the Association, each Project State shall, and shall cause its Project Implementation Entity to, exchange views with the Association 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) Each Project State shall, and shall cause its Project Implementation Entity 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 the Project State and its Project Implementation Entity of their obligations under the Project.”

4. Section 2.05 is amended to read as follows:

“Section 2.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, each Project State shall, and shall cause its Project Implementation Entity to:

(a) 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 the Project State, a plan as to the Project State’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 11 of Schedule 2 to this Agreement; and

(b) afford the Association a reasonable opportunity to exchange views with the Project State and its Project Implementation Entity on said plan.”

C. Financial Covenants

1. Section 3.01 is amended to read as follows:

“Section 3.01. (a) Each Project State shall, and shall cause its Project Implementation Entity 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 the Project State responsible for carrying out the Project or any part thereof and of its Project Implementation Entity.

(b) Each Project State shall, and shall cause its Project Implementation Entity 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 (6) 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.

2. Section 3.02 is amended to read as follows:

“Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Uttar Pradesh shall, and shall cause EFAPB 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 EFAPB, not later than August 31, 2000 to complete the design and software for such system, and not later than December 31, 2000, or such later date as the Association shall agree, to fully operationalize such system and to enable the Project Implementation Entities 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, each Project State shall cause its Project Implementation Entity to prepare, in accordance with the format 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.”

D. Effective Date; Termination; Cancellation and Suspension

1. Section 4.02 is amended to read as follows:

“Section 4.02. (a) This Agreement and all obligations of the Association and 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; and
- (ii) a date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify each Project State of this event.”

2. The following new Section is added after Section 4.03:

“Section 4.04. The Agreement Amending the Project Agreement shall come into force and effect on the date upon which the Agreement Amending the Development Credit Agreement becomes effective.”

E. Miscellaneous Provisions

1. The following new address is added after the address for the State of Uttar Pradesh in Section 5.01:

“For the State of Uttaranchal

Chief Secretary
Government of Uttaranchal
Dehradun
Uttaranchal, India”

2. Section 5.02 is amended to read as follows:

“5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of a Project State, may be taken or executed by its Chief Secretary or by such other person or persons as the Project State shall designate in writing, and the Project State shall furnish to the

Association sufficient evidence of the authority and the authenticated specimen signature of each such person.”

F. Implementation Program

The Implementation Program in Schedule 2 to the Project Agreement is amended as set out in the Annex to this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending the Project 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 UTTAR PRADESH

By

/s/ Satyajit Thakur
Authorized Representative

STATE OF UTTARANCHAL

By

/s/ M. Ramchandran
Authorized Representative

Annex

SCHEDULE 2

Implementation Program

1. Paragraph 1 of Schedule 2 is amended to read as follows:

“1. Each Project State shall, and shall cause its respective Project Implementation Entity, to carry out the Project in accordance with: (i) the DPEP Guidelines; and (ii) the Project Implementation Plan.”
2. The existing paragraph 2 of Schedule 2 is renumbered as paragraph 2 (a). A new paragraph 2 (b) is added at the end of paragraph 2 to read as follows:

“2. (b) Uttaranchal shall, and shall cause USKLSP to maintain, at all times, SPO, Divisional Offices, DPOs, DIETs and SCERT with powers, functions, staff, resources and facilities necessary for the effective implementation of the Project and take further steps to develop their capacity.”
3. Paragraph 4 of Schedule 2 is amended to read as follows:

“4. During each Joint Review Mission, each Project State shall, and shall cause its Project Implementation Entity, to furnish to the Association an updated estimate of the ratio of teacher to students in each Project District.”
4. Paragraph 5 of Schedule 2 is amended to read as follows:

“5. Each Project State shall, and shall cause its respective Project Implementation Entity, 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.”
5. Paragraph 6 of Schedule 2 is amended as follows:

“6. Each Project State shall, and shall cause its respective Project Implementation Entity to:

(a) implement the Project in accordance with strategies for improving primary education of children from socially disadvantaged groups as set forth in the Project Implementation Plan; and

(b) implement the Project in all tribal areas (as designated by each Project State in accordance with their 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.”

6. Paragraph 7 of Schedule 2 is amended to read as follows:

“7. Each Project State shall, and shall cause its respective Project Implementation Entity to, carry out by December 31, 2003 and March 31, 2005 assessment studies on student learning achievement.”

7. Paragraph 8 of Schedule 2 is amended to read as follows:

“8. Each Project State shall:

(a) take all such actions as may be necessary or appropriate in order to require and enable the Village Panchayats to implement the relevant activities under Parts A and B.5 of the Project; and

(b) cause its respective Project Implementation Entity to implement the relevant activities under Parts A and B.5 of the Project through Village Panchayats in accordance with the provisions of this Agreement.”

8. Paragraph 9 of Schedule 2 is amended to read as follows:

“9. Each Project State shall, and shall cause its respective Project Implementation Entity to formulate and carry out a time bound program of training, satisfactory to the Association, in order to enable the Village Panchayats to implement the relevant activities under Parts A and B.5 of the Project.”

9. Paragraph 10 of Schedule 2 is amended to read as follows:

“10. Each Project State shall take all such actions as may be necessary or appropriate in order to require and enable their respective Project Implementation Entity, to carry out their obligations under their respective MOUs and the functions entrusted to them under this Agreement, all in a manner satisfactory to the Association.”

10. Paragraph 11 of Schedule 2 is amended to read as follows:

“11. Each Project State shall, and shall cause its respective Project Implementation Entity, to:

(a) maintain policies and procedures adequate to enable them 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 and furnish to the Association and the Borrower on two occasions by November 30, 2003 and February 28, 2005, 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 preceeding the date of each such report; the first such report shall also include the recommendations of third party evaluations carried out under the Project on: (i) para- teachers; (ii) double shifts; (iii) alternative schooling; (iv) early childhood centers; (v) impact of teacher training and support systems; and (vi) VEC school management, and set forth the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(c) conduct in-depth reviews with the Association and the Borrower by December 31, 2003 and March 31, 2005, or such later date as the Association shall request, 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 objectives thereof, based on the conclusions and recommendations of the first report and the Association's views on the matter.”