

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N044-IN

Project Agreement

(Rajasthan District Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association, as amended

and

STATE OF RAJASTHAN

Dated July 6, 1999

INTERIM FUND CREDIT NUMBER N044-IN

PROJECT AGREEMENT

AGREEMENT, dated July 6, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996, as amended, and the STATE OF RAJASTHAN, acting by its Governor (Rajasthan).

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) by the agreement of even date herewith between India (the Borrower) and the Administrator (the Interim Fund Development Credit Agreement), the Administrator has agreed to make available to the Borrower an amount in various currencies equivalent to sixty-three million Special Drawing Rights (SDR 63,000,000) on the terms and conditions set forth in the Interim Fund Development Credit Agreement, but only on condition that Rajasthan agree to undertake such obligations toward the Administrator as are set forth in this Agreement; and

WHEREAS Rajasthan, in consideration of the Administrator's entering into the Interim Fund 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 Interim Fund 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 objectives of the Project, and, to this end, shall, 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 Administrator 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 Administrator 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 Interim Fund 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 Administrator, Rajasthan shall, and shall cause RCPE to, exchange views with the Administrator, through the Borrower, with regard to the progress of the Project, the performance of their obligations under this Agreement, and other matters relating to the purposes of the Interim Fund Credit.

(b) Rajasthan shall, and shall cause RCPE to, promptly inform the Administrator, through the Borrower, of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Interim Fund Credit, or the performance by Rajasthan and RCPE of their obligations under this Agreement.

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 Administrator, and furnish to the Administrator, through 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 Administrator, the Borrower 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 Interim Fund Development Credit Agreement and paragraph 11 of Schedule 2 to this Agreement; and

(b) afford the Administrator a reasonable opportunity to exchange views with Rajasthan and 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 Administrator, 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 Administrator;

(ii) furnish to the Administrator 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 Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Administrator 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 Administrator 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 July 15, 2000, or such later date as the Administrator shall agree, to prepare quarterly Project Management Reports, acceptable to the Administrator, 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 Interim Fund Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Interim Fund 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 Interim Fund 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 format acceptable to the Administrator, and furnish to the Administrator 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;
Designation of the Administrator

Section 4.01. This Agreement shall come into force and effect on the date upon

which the Interim Fund Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Administrator and Rajasthan thereunder shall terminate on the earlier of the following two dates:

shall (i) the date on which the Interim Fund Development Credit Agreement terminate in accordance with its terms; or

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

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

Section 4.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to Rajasthan.

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 radiogram 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 and the Administrator:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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 Administrator 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
As Administrator of the Interim Trust Fund established
With funds contributed by certain members of
International Development Association pursuant to
Resolution No. IDA 184 of the Board of Governors of
International Development Association, as amended

By /s/ Edwin R. Lim

Country Director, India

STATE OF RAJASTHAN

By /s/ O. P. Behari

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

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

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 the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods (except vehicles) estimated to cost \$300,000 equivalent or less per

contract, up to an aggregate amount not to exceed \$4,620,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Small Goods (Except Vehicles)

(a) Goods (except vehicles) estimated to cost \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$2,190,000 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.

(b) Goods (except vehicles) estimated to cost \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$150,000 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 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. The aggregate amount of contracts for vehicles to be procured pursuant to this paragraph shall not exceed \$40,000 equivalent.

4. Procurement of Small Works

Works estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$21,260,000 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 \$850,000 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 Administrator, 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;

(iii) be procured under the unit/piece rate systems through qualified contractors or registered non-governmental organizations or other beneficiary associations; or

(iv) as a last resort, be carried out by force account if they meet the requirements of the provisions of paragraph 3.8 of the Guidelines, up to an aggregate amount not to exceed \$1,100,000 equivalent.

5. Contracts for Procurement of Teaching Materials, Hiring of Vehicles and Maintenance of Equipment

(a) Contracts for procurement of teaching materials referred to in paragraph 2 (c) of Part A of Schedule 1 to the Interim Fund Development Credit Agreement, estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$7,950,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

(b) Contracts for (i) hiring of vehicles estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$2,570,000 equivalent, and (ii) operation and maintenance of equipment estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$80,000 equivalent, may:

(i) up to an aggregate amount not to exceed \$2,350,000 equivalent, 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 requirements, including basic specifications, the required completion date, and a basic form of agreement acceptable to the Administrator. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or

(ii) 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 \$300,000 equivalent.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator 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 Administrator, 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 estimated to cost more than the equivalent of \$300,000, (c) the first contract for works awarded under paragraph 1(a) of Part C of this Section I, and (d) 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

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

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 \$14,750,000 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 Administrator's prior agreement (in the case of 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 \$9,200,000 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 Administrator 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 Administrator 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 Administrator, 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 Administrator 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 Administrator 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.

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: (i) by July 31, 1999, 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 SIEMAT with powers, functions, staff, resources and facilities necessary to the effective implementation of the Project.
3. Rajasthan shall cause RCPE to: (i) appoint by July 31, 1999, and thereafter maintain, a Financial Controller at SPO with suitable experience; and (ii) appoint by July 31, 1999, and thereafter maintain, a firm of chartered accountants with terms of reference and qualifications satisfactory to the Administrator for auditing the records, accounts and financial statements for the Project.
4. Rajasthan shall ensure that at least 95% of the teachers' posts in the Project Districts, starting July 1, 2000, remain filled with teachers throughout the Project implementation period.
5. Rajasthan shall, and shall cause RCPE to, establish by March 31, 2001, and thereafter maintain in all the Project Districts: (i) a VEC/WEC for villages or urban areas, as applicable, having at least one school (including a self service school (Swayam Sevi Vidyalaya) and an alternative school); and (ii) a School Management Committee for each school (including a self service school (Swayam Sevi Vidyalaya) and an alternative school) in accordance with the criteria and procedures set forth in the Project Implementation Plan.
6. Rajasthan shall, and shall cause RCPE to, establish by December 31, 1999, and thereafter maintain, technical resource groups at the state and Project District levels, to assist in the development and implementation of the Project, in accordance with the criteria and procedures set forth in the Project Implementation Plan.
7. By December 31, 2001 and December 31, 2004, Rajasthan shall, and shall cause RCPE to, furnish to the Administrator data, as of September 30, 2001 and September 30, 2004, respectively, for all the Project Districts on: (i) the enrollment of children in the age group of 6 to 10 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.
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 Administrator agrees in writing prior to such resettlement that the arrangements for such involuntary resettlement are satisfactory to the Administrator.
9. Rajasthan shall, and shall cause RCPE to:
 - (a) implement the Project in accordance with strategies for improving primary education of female students 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. With respect to Part C.3 of the Project, Rajasthan shall, and shall cause RCPE to, select non-governmental and community organizations participating in the Project in accordance with criteria and procedures satisfactory to the Administrator.
11. With the guidance of the Borrower, 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 objectives thereof;

(b) carry out with the Administrator and the Borrower a joint in-depth review of the Project on two occasions by December 31, 2001 and December 31, 2004, such review to include a status report: (i) in both reviews, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph; and (ii) in the first review, setting forth the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(c) 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 said report and the Administrator's views on the matter.

