

CONFORMED COPY

CREDIT NO. 2876 IN
TRUST FUND NO. 020916

Netherlands Grant Agreement

(Second District Primary Education Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator of Netherlands Funds
MINISTER FOR DEVELOPMENT COOPERATION
OF THE NETHERLANDS

Dated August 21, 1997

CREDIT NO. 2876 IN
TRUST FUND NO. 020916

NETHERLANDS GRANT AGREEMENT

AGREEMENT, dated August 21, 1997 between INDIA, acting by its President (the "Grantee") and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as Administrator (the "Administrator") of the Netherlands Grant (as hereinafter defined) provided by the Minister for Development Cooperation of the Netherlands (the "Minister").

WHEREAS the Grantee has requested the assistance of the International Development Association and the Minister in the financing of activities under the Project ("Project") described in Schedule 2 to the Development Credit Agreement No. 2876 IN dated July 15, 1996, ("Development Credit Agreement") between the Grantee and the International Development Association ("Association");

WHEREAS the Association has granted a credit for this purpose on the terms and conditions set forth in the Development Credit Agreement.

WHEREAS the Minister wishes to make available to the Grantee a grant, on the terms and conditions hereinafter set forth ("Netherlands Grant"), to assist the Grantee in carrying out the Project in the districts of Banashkanta, Dang and Panchmahal in the State of Gujarat;

WHEREAS the Project will be implemented in part by the Grantee's State of

Gujarat ("Gujarat") with the Grantee's assistance and as part of such assistance the Grantee will make available to Gujarat the proceeds of the Grant as provided in this Agreement;

WHEREAS by arrangements dated September 18, 1996 between the Minister, the International Bank for Reconstruction and Development and the Association (the "Arrangements"), the Minister has requested the Association, and the Association has accepted, to administer, inter alia, the Netherlands Grant in accordance with the provisions of the Arrangements; and

WHEREAS the Grantee acknowledges that the financial assistance extended to the Grantee under this Netherlands Grant Agreement shall be considered as part of the bilateral development aid extended by the Government of the Netherlands to the Grantee;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985 (the "General Conditions") constitute an integral part of this Agreement subject, however, to the following modifications thereof:

(a) the term "Association", wherever used in the General Conditions, means the International Development Association acting as Administrator of the Netherlands Grant pursuant to the Arrangements, except in the phrase "member of the Association" in Sections 2.01 (5), 4.02 (b) and 6.02 (e);

(b) the term "Development Credit Agreement", whenever used in the General Conditions, means this Agreement;

(c) the term "Credit", whenever used in the General Conditions, means the Netherlands Grant extended to the Grantee under this Agreement;

(d) the term "Credit Account", whenever used in the General Conditions, means the Netherlands Grant Account, the account opened by the Administrator in its books in the name of the Grantee to which the amount of the Netherlands Grant is credited;

(e) in Section 6.02 the term "Association" shall also include the International Development Association acting in its own capacity;

(f) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Grantee and the Administrator, the Grantee shall prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator shall reasonably request, on the execution of the Project referred to in the Preamble to the Netherlands Grant Agreement, the performance by the Grantee and the Administrator of their respective obligations under the Netherlands Grant Agreement and the accomplishment of the purposes of the Netherlands Grant";

(g) Sections 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.04, 4.06, 6.05, 7.01, 8.01 (a), and Article XII are deleted; and

(h) the term "Borrower" whenever used in the General Conditions means the Grantee.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth and the following terms shall have the following meanings:

(a) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America; and

(b) "Dutch Guilders" and "NLG" mean the currency of the Netherlands.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to extend to the Grantee, on the terms and conditions herein set forth or referred to, a grant in an amount of twenty-five million eight hundred thousand Dollars (\$25,800,000), but not exceeding the equivalent of forty-five million one hundred and fifty thousand Dutch Guilders (NLG 45,150,000).

Section 2.02. (a) Subject to Section 2.02 (b) below, the proceeds of the Netherlands Grant may be withdrawn from the Netherlands Grant Account in accordance with the provisions of the Schedule to this Agreement, as such Schedule may be amended from time to time by agreement between the Grantee and the Administrator.

(b) The Administrator shall not be obligated to make any payment under this Agreement except to the extent it shall first have received funds for the purpose from the Minister.

Section 2.03. (a) Except as the Administrator shall otherwise agree, contracts for goods and services to be financed out of the proceeds of the Netherlands Grant shall be procured in accordance with the provisions of Schedule 1 to the Project Agreement (Second District Primary Education Project) between the Association and States of Assam, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu and Uttar Pradesh dated July 15, 1996, which is hereby incorporated into this Agreement with the same force and effect as if it were fully set forth herein, it being understood that the references in said Schedule to the "Association" and the "Credit Account" shall be deemed to be references to the Association acting as Administrator of the Netherlands Grant and the Netherlands Grant Account, respectively.

(b) If the Administrator shall have reasonably determined that the procurement of any item is inconsistent with the procedures set forth or referred to in paragraph (a) above, no expenditures for such item shall be financed out of the proceeds of the Netherlands Grant, and the Administrator may, without in any way restricting or limiting any other right, power or remedy of the Administrator under this Agreement, by notice to the Grantee, cancel such amount of the Netherlands Grant as, in the Administrator's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Netherlands Grant.

Section 2.04. The Closing Date shall be June 30, 2003 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Grantee of such later date.

ARTICLE III

Execution of the Project

Section 3.01. Except as otherwise expressly provided herein, Articles III and IV of the Development Credit Agreement are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, it being understood that all references in said Articles III and IV to the "Association" shall be deemed to be references to the Administrator of the Netherlands Grant under this Agreement and all references to the "Credit" and the "Credit Account" shall be deemed to be references to the Netherlands Grant and the Netherlands Grant Account, respectively.

ARTICLE IV

Section 4.01. (a) The Grantee shall cause Gujarat to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project.

(b) The Grantee shall cause Gujarat to:

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

(ii) furnish to the Administrator as soon as available, but in any case not later than nine months after the end of each year: (A) certified copies of its financial statements for such year as so audited; and (B) the 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 said records, accounts and financial statements as well as the audit thereof, as the Administrator shall from time to time reasonably request.

ARTICLE V

Remedies of the Administrator

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified, namely, that the right of the Grantee to withdraw the proceeds of the Credit shall have been suspended, canceled or terminated in whole or in part, pursuant to the Development Credit Agreement.

ARTICLE VI

Effectiveness

Section 6.01. (a) This Agreement shall become effective upon its execution by the parties.

(b) This Agreement shall continue in effect until the Netherlands Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations under this Agreement.

ARTICLE VII

Representation; Transfer of Rights and Obligations

Section 7.01. The Secretary, any Additional Secretary, Joint Secretary, Director, Deputy Secretary, Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Grantee is designated as the representative of the Grantee for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Grantee:

The Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable address:

Telex:

ECOFAIRS
New Delhi

953-3166175 FINE IN

For 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:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

Section 7.03. In accordance with the Arrangements, the rights and obligations of the Administrator under this Agreement may be transferred to the Minister. The Grantee accepts and agrees that, upon notice by the Administrator to the Grantee to that effect, the Minister shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if the Minister had been an original party to this Agreement, without any further action or formality required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations as a party under this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INDIA

By /s/ Sudhakar Rao

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Netherlands Grant

By /s/ Manuel Penalver

Acting Regional Vice President
South Asia

SCHEDULE

Withdrawal of the Proceeds of the Netherlands Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Netherlands Grant, the allocation of the amounts of the Netherlands Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (Expressed in US Dollars)	% of Expenditures to be Financed
(1) Civil Works	4,700,000	90%
(2) Equipment, vehicles books, furniture and materials	5,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expendi-

		tures for other items procured locally
(3)	Consultants' services	1,600,000 100%
(4)	Fellowships and training	3,600,000 100%
(5)	Incremental staff salaries, incremental honoraria for volunteers, incremental operation and maintenance cost	8,700,000 90% of local expenditures incurred until September 30, 1998; 85% of local expenditures incurred from October 1, 1998 until September 30, 1999; 80% of local expenditures incurred from October 1, 1999 until September 30, 2000; 65% of local expenditures incurred from October 1, 2000 until September 30, 2001; and 40% of local expenditures thereafter
(6)	Unallocated	2,000,000
	TOTAL	25,800,000 =====

2. For the purposes of this Schedule:

(a) the term "local expenditures" means expenditures in the currency of the Grantee or for goods or services supplied from the territory of the Grantee;

(b) the term "incremental operation and maintenance costs" means operation and maintenance costs for the Project pursuant to the Grantee's District Primary Education Program, incurred on or after March 1, 1996;

(c) "incremental staff salaries" means salaries paid in respect of posts created for the Project pursuant to the Project, including consulting or contractual services, on or after March 1, 1996; and

(d) "incremental honoraria for volunteers" means honoraria paid for volunteers to carry out activities under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made for expenditures prior to the date of this Agreement, except at withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000, may be made on account of payments for expenditures before that date but on or after March 1, 1996.

4. The Administrator may require withdrawals from the Netherlands Grant Account to be made on the basis of statements of expenditure for:

(a) goods and works under contracts not exceeding \$300,000 equivalent;

(b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants respectively;

(c) training and fellowships;

(d) works procured under force account; and

(e) incremental staff salaries, incremental operational and maintenance costs

and incremental honoraria for volunteers, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

