

CONFORMED COPY

CREDIT NUMBER 2876 IN

Project Agreement

(Second District Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATES OF ASSAM, GUJARAT, HARYANA, HIMACHAL PRADESH,  
KARNATAKA, KERALA, MADHYA PRADESH, MAHARASHTRA, ORISSA,  
TAMIL NADU and UTTAR PRADESH

Dated July 15, 1996

CREDIT NUMBER 2876 IN

PROJECT AGREEMENT

AGREEMENT, dated July 15, 1996, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATES OF ASSAM, GUJARAT, HARYANA, HIMACHAL PRADESH, KARNATAKA, KERALA, MADHYA PRADESH, MAHARASHTRA, ORISSA, TAMIL NADU and UTTAR PRADESH, each acting by its respective Governor, (hereinafter referred to individually as "Project State" and collectively as "Project States");

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 two hundred ninety one million seven hundred thousand Special Drawing Rights (SDR 291,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the Project States agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the Borrower has requested the Government of the Netherlands (the Netherlands) for a grant (the Netherlands Grant) in an amount in Dutch Guilders equivalent to \$25,800,000 to be administered by the Association on behalf of the Netherlands for purposes of assisting in financing Project expenditures in the State of Gujarat on terms and

conditions to be set forth in an agreement to be entered into between the Association and the Netherlands (the Netherlands Trust Fund Agreement) and an agreement to be entered into between the Borrower and the Netherlands (the Netherlands Grant Agreement); and

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;

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 in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project

Section 2.01. (a) Each Project State declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project, and cause State Implementation Societies 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, the Project States shall 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 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. (a) Each Project State shall 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 applicable to the Development Credit Agreement (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 and that part of the Project carried out by each of them respectively.

(b) For the purposes of Section 9.07 of the General Conditions and without limitations thereto, each Project State shall prepare 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 such Project State a plan satisfactory to the Association for the future operation of the physical facilities financed under the Credit.

Section 2.04. (a) Each Project State shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance by each of them of its respective obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) Each Project State shall 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 each of them of its respective obligations under this Agreement.

#### ARTICLE III

## Financial Covenants

Section 3.01. (a) Each Project State shall maintain and cause State Implementation Societies to maintain, records and accounts, adequate to reflect in accordance with sound accounting practices their operations, resources and expenditures in respect of activities related to its respective parts of the Project, of the departments or agencies responsible for carrying out the Project or any part thereof.

(b) Each Project State shall:

- (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 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 nine months after the end of each such year, certified copies of the 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 said records, accounts and the audit thereof, as the Association shall from time to time reasonably request.

## 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 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; 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 the Project States 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 applicable to the Development Credit Agreement.

## 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:

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

Cable address:	Telex:
INDEVAS	197688 (TRT)
Washington, D.C.	248423 (RCA)
	64145 (WUI) or
	82987 (FTCC)

For the State of Assam:

Chief Secretary to the Government  
of Assam  
Guwahati, India

For the State of Gujarat:

Chief Secretary to the Government  
of Gujarat  
Gandhinagar, India

For the State of Haryana:

Chief Secretary to the Government  
of Haryana  
Chandigarh, India

For the State of Himachal Pradesh:

Chief Secretary to the Government  
of Himachal Pradesh  
Simla, India

For the State of Karnataka:

Chief Secretary to the Government  
of Karnataka  
Bangalore, India

For the State of Kerala:

Chief Secretary to the Government  
of Kerala  
Trivandrum, India

For the State of Madhya Pradesh:

Chief Secretary to the Government  
of Madhya Pradesh  
Bhopal, India

For the State of Maharashtra:

Chief Secretary to the Government  
of Maharashtra  
Mumbai, India

For the State of Orissa:

Chief Secretary to the Government  
of Orissa  
Bhubaneswar, India

For the State of Tamil Nadu:

Chief Secretary to the Government  
of Tamil Nadu

Madras, India

For the State of Uttar Pradesh:

Chief Secretary to the Government  
of Uttar Pradesh  
Lucknow, 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 a Project State may be taken or executed by its Chief Secretary or such other person or persons as the Chief Secretary shall designate in writing and such Project State 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood  
Regional Vice President  
South Asia

STATES OF ASSAM, GUJARAT, HARYANA, HIMACHAL  
PRADESH, KARNATAKA, KERALA, MADHYA PRADESH,  
MAHARASHTRA, ORISSA, TAMIL NADU and UTTAR  
PRADESH

By /s/ N. Valluri  
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

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 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this section, goods and works 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 following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Preference for domestically manufactured goods

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.

(b) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A (1) hereof, goods manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. National Competitive Bidding

Except as provided in paragraph 2 of Part D of this Schedule:

(a) Civil works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Contracts for furniture, vehicles, equipment, books and educational materials, estimated to cost the equivalent of \$300,000 or less but more than the equivalent of \$50,000 per contract, up to an aggregate amount of \$36,200,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping: Force Account and Direct Contracting

(a) Civil works, estimated to cost the equivalent of \$20,000 or less per contract shall be:

- (i) carried out by force account up to an aggregate value of \$13,100,000 equivalent; or
- (ii) carried out through communities up to an aggregate value of \$45,900,000 equivalent in accordance with procedures satisfactory to the Association; and
- (iii) up to an aggregate amount not to exceed the equivalent of \$45,900,000 procured under lump sum, fixed priced contracts awarded on the basis of quotations obtained from three 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 Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work.

(b) Contracts each estimated to cost \$50,000 equivalent for:

- (i) furniture up to an aggregate amount of \$11,200,000 equivalent;

- (ii) books up to an aggregate amount of \$15,500,000 equivalent;
- (iii) materials up to an aggregate amount of \$68,900,000 equivalent; and
- (iv) equipment up to an aggregate amount of \$11,400,000 equivalent, may be awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(c) Contracts for the purchase of vehicles, up to an aggregate amount of \$2,700,000 equivalent and estimated to cost the equivalent of \$100,000 or less per contract, may be awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(d) Books which are only available from a single source may be purchased up to an aggregate amount of \$3,000,000 equivalent through direct contracts in accordance with the provisions of paragraph 3.7 of the Guidelines.

#### Part E: 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 such 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 and goods estimated to cost the equivalent of \$300,000 or more; and

(b) the first five contracts to be procured by Gujarat, Himachal Pradesh, Madhya Pradesh and Orissa 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such

contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## SCHEDULE 2

### Implementation Program

#### Project Implementation

1. Each Project State shall:

(a) carry out, and cause its State Implementation Society to carry out, the District Primary Education Program, as applicable to such State in accordance with the DPEP Guidelines; and

(b) carry out the Project in accordance with an implementation plan satisfactory to the Association.

2. Each Project State shall maintain:

(a) SPOs and DPOs with responsibility to coordinate Project implementation, with adequate staff, resources and facilities; and

(b) shall establish a program of staff training satisfactory to the Association.

3. Each Project State shall establish and maintain DIETs or equivalent institutions in Project Districts and appoint key staff at such DIETs in accordance with a schedule satisfactory to the Association, in any event no later than six months after the approval by the DPEP Bureau of any proposal for financing Project activities in a Project District.

4. (a) Gujarat, Himachal Pradesh and Orissa shall establish VECs in Project Districts no later than June 30, 1997, and in the case of Project Districts in other Project States for which proposals for financing Project activities have not yet been approved within one year after the Borrower grants such approval; and

(b) All Project States shall maintain VECs with responsibility for assisting with the Project implementation at the village level.

5. Each Project State shall ensure that the number of classrooms to be constructed and the number of teachers to be appointed under the Project shall be determined based on the projected number of students expected to be served in accordance with State-specific criteria, including for sparsely populated areas.

6. Each Project State shall establish and maintain a State level technical group to assist in the development and implementation of programs to improve primary education teaching processes.

7. Gujarat, Orissa and Himachal Pradesh shall submit standard designs for classrooms and block resource centers for review and approval by the Association prior to the start of any construction of classrooms or block resource centers (BRCs) under the Project, and in any event no later than June 30, 1997.

8. Each Project State shall 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 such resettlement that the arrangements for such involuntary resettlement are satisfactory to the Association.

#### Tribal Peoples; Gender

9. (a) Each Project State shall implement the Project in any tribal area (as designated by such State in accordance with applicable laws),



in accordance with procedures and delivery strategies satisfactory to the Association.

(b) To this end, each Project State shall ensure that all investments in Project Districts which are classified by the Borrower as tribal districts, or which include blocks classified by the Borrower as tribal blocks, are appraised and implemented in accordance with a plan, satisfactory to the Association, for the delivery of Project benefits to tribal people.

(c) Without prejudice to the generality of the foregoing subparagraph (a) each Project State shall allocate Project resources for tribal students at least in proportion to the share of the tribal population in the relevant Project District.

10. The Project States shall implement the Project in accordance with strategies acceptable to the Association for improving primary education of female students.

#### Non-Governmental and Community Organizations

11. Each Project State shall select non-governmental and community organizations participating in the Project in accordance with criteria and procedures satisfactory to the Association.

#### Monitoring and Review

12. Without limitation to the generality of any other provision of this Agreement, each Project State shall:

(a) review annually with the Association progress in Project implementation and Credit disbursements over the preceding twelve months;

(b) discuss with the Association by March 31 of each year, annual work plans and budgets for the next twelve months;

(c) ensure that assessment studies, with scope and content acceptable to the Association, are carried out in all Project Districts in the third and sixth calendar years following the calendar year in which the Credit becomes effective;

(d) carry out along with the Association and other external financiers of the Program review of the Project on three occasions: first, by December 31, 1997, second, by December 31, 1999 and third, by December 31, 2001, or such later dates for each such joint review as the Association shall establish in writing; and

(e) duly take into account the comments offered by the Association during such joint review, in the course of further implementation of the Project.

### SCHEDULE 3

#### Performance Indicators (Section 9.01 (a) of the General Conditions)

Without prejudice to the generality of any other provision of this Agreement, pursuant to Section 9.01 (a) of the General Conditions, the following indicators will serve as a basis for the Borrower and the Association to measure progress towards achieving the objectives of the Project, for the purposes of Project implementation, supervision and evaluation:

INPUTS: Measured Against Annual Benchmarks Established Under the Program

1. Number of trainees under the Project by State by year.
2. Number of teachers appointed under the Project, by State by year.
3. Classroom constructed by State by year.

4. Number of block resource centers constructed by State by year.

5. Number of Baseline studies, social assessment, financial and research studies completed by year by state.

OUTPUTS: Trends of the Following, Relative to Project Objectives  
Established in the DPEP Guidelines

6. Enrollment in Project Districts by year, state, gender; number of SC/ST students.

7. Percentage of female students and SC/ST students as a proportion of total student population.

8. Dropout rates by year/state/gender; dropout rates for SC/ST.

9. Achievement scores with respect to reading comprehension, word meaning and mathematics: by state and gender and showing separately achievements with respect to SC/ST students as they become available.

