

CONFORMED COPY

CREDIT NUMBER 2661 IN

Project Agreement

(District Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ASSAM
STATE OF HARYANA
STATE OF KARNATAKA
STATE OF KERALA
STATE OF MAHARASHTRA
AND
STATE OF TAMIL NADU

Dated December 22, 1994

CREDIT NUMBER 2661 IN

PROJECT AGREEMENT

AGREEMENT, dated December 22, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and THE STATES OF ASSAM, HARYANA, KARNATAKA, KERALA, MAHARASHTRA AND TAMIL NADU (ACTING BY THEIR RESPECTIVE GOVERNORS) (the Project States).

WHEREAS by the Development Credit Agreement of even date herewith between India, acting by its President (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 eighty million Special Drawing Rights (SDR 180,000,000), 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; 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 thereto, and in the General Conditions (as so defined in the Development Credit Agreement) 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 jointly and severally 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. 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.

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
Washington, D.C.

197688 (TRT)
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 Haryana

Chief Secretary to the Government
of Haryana
Chandigarh, 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 Maharashtra

Chief Secretary to the Government
of Maharashtra
Bombay, India

For the State of Tamil Nadu

Chief Secretary to the Government
of Tamil Nadu
Madras, 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/ Heinz Vergin

Acting Regional Vice President
South Asia

STATES OF ASSAM, HARYANA, KARNATAKA, KERALA,
MAHARASHTRA AND TAMIL NADU

By /s/ N. Valluri

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the International Bank for Reconstruction and Development (the Bank) in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower and Project States shall use the relevant standard bidding documents issued by the Association, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Association, the Borrower and Project States shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: 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 C: Other Procurement Procedures

1. Except as provided in paragraph 2 of Part C of this Schedule, civil works shall be procured on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association.

2. Civil works, estimated to cost the equivalent of \$15,000 or less per contract shall be: (a) procured on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association; (b) carried out by force account up to an aggregate value of \$13,400,000 equivalent; or (c) carried out through communities up to an aggregate value of \$17,900,000 equivalent in accordance with procedures satisfactory to the Association.

3. Contracts for furniture, equipment, books, educational and consumable 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 \$21,200,000 equivalent, shall be procured on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association.

4. Contracts for: (a) furniture up to an aggregate amount of \$5,800,000 equivalent; (b) books up to an aggregate amount of \$10,900,000 equivalent; (c) educational and consumable materials up to an aggregate amount of \$39,500,000 equivalent; (d) equipment up to an aggregate amount of \$7,100,000 equivalent, each contract estimated to cost \$50,000 equivalent or less per contract, and (e) contracts for the purchase of vehicles, up to an aggregate amount of \$300,000 equivalent and estimated to cost the equivalent of \$100,000 or less per contract, (a maximum of \$100,000 equivalent for purchases by each State), may be procured under quotations solicited from a list of at least three suppliers, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works and goods estimated to cost more than \$300,000 equivalent, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines) shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (a) (ii) of the Development Credit Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist the Borrower and Project States in carrying out the Project, the Borrower and Project States shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis 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, the Borrower and Project States shall employ such consultants under contracts using the standard form of contract for consultants'

services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower and Project States shall use other standard forms agreed with the Association.

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

1. Each Project State shall carry out, and cause its State Implementation Society to carry out, the District Primary Education Program, as applicable to such State.

Tribal Peoples/Gender

2. Each Project State shall: (i) prepare; and (ii) provide to the Association by June 30, 1995, strategies, acceptable to the Association for improving primary education of female students and scheduled tribe students, together with implementation plans and budgets for the following year.

3. (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 set out in the Association's policies governing implementation of Association-assisted Projects affecting indigenous peoples.

(b) Without prejudice to the generality of the foregoing subparagraph (a): (i) 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; and (ii) each Project State shall provide for review by the Association, prior to its approval by such Project State, any proposal for the establishment of residential schools for scheduled tribe students including relevant school maps and evidence of the demand for such schools on the part of isolated tribal communities.

Non-Governmental and Community Organizations

4. 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

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

- (i) review annually with the Association progress in Project implementation over the preceding

twelve months;

- (ii) discuss with IDA by January 31 of each year, annual work plans and budgets for the next twelve months;
 - (iii) carry out assessment studies in all Project Districts in the third and sixth year of Project implementation with terms of reference and using methodologies acceptable to the Association;
 - (iv) carry out, no later than June 30, 1998, or such later date as the Association shall establish, along with the Association, a mid-term review of the Project; and
 - (v) duly take into account the comments offered by the Association during such review, in the course of further implementation of the Project.
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