Financing Agreement

(Third Elementary Education Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 29, 2014
FINANCING AGREEMENT

AGREEMENT dated May 29, 2014, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of supporting a comprehensive policy and budgetary framework (currently financed under the Recipient's 12th Five Year Plan, 2012-17) for universalizing access to and provision of elementary education under its National Program for Universal Elementary Education (Sarva Shiksha Abhiyan) ("Program" or "SSA"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

1.03. Each reference in the General Conditions to the Project Implementing Entity should be deemed to be a reference to each of the Project Executing Agencies.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in two portions, as set forth below, to assist in financing the project described in Schedule 1 to this Agreement ("Project"), namely:

(a) a first portion for an amount equivalent to five hundred forty four million four hundred thousand Special Drawing Rights (SDR 544,400,000) ("Portion A of the Credit"); and

(b) a second portion for an amount equivalent to one hundred six million six hundred thousand Special Drawing Rights (SDR 106,600,000) ("Portion B of the Credit").

(Portion A of the Credit and Portion B of the Credit collectively referred to as variously the "Credit" or the "Financing")
2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to:

(a) one and a quarter percent (1.25%) per annum for amounts withdrawn out of Portion A of the Credit; and

(b) one and two fifths of one percent (1.40%) per annum for amounts withdrawn out of Portion B of the Credit.

2.06. The Payment Dates are May 1 and November 1 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient through MHRD and the Project Executing Agencies shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:
(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) the SSA Framework for Implementation has been amended, waived or abrogated so as to adversely affect the implementation of the Project or the achievement of the objectives of the Project;

(c) the Manual on Financial Management and Procurement has been amended, waived or abrogated so as to adversely affect the achievement of the objectives of efficiency, economy and transparency of procurement methods and procedures;

(d) any of the provisions of any Letter of Undertaking under this Project, has been amended, waived or abrogated so as to adversely affect the implementation of the Project or the achievement of the objectives of the Project; and

(e) an extraordinary situation has arisen, as a result of events which have occurred after the date of this Agreement, which shall make it improbable that any Project State or SIS will be able to perform its obligations under its Letter of Undertaking.

4.02. The Additional Events of Acceleration consist of any event specified in paragraphs (a) through (e) of Section 4.01 of this Agreement provided that it occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.
6.02. The Recipient’s Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance, North Block
New Delhi - 110001, India

Cable: ECOFAIRS
Facsimile: 91-11-23095071

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

Authorized Representative

Name: Nilaya Mitash
Title: Joint Secretary (MI)

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Michael Haney
Title: Operations Adviser
SCHEDULE 1

Project Description

The objective of the Project is to improve education outcomes of elementary school children in India.

Supporting all activities under the SSA Framework for Implementation, consistent with this Agreement, which consist of the following:

1. **Improving Quality and Enhancing Learning Outcomes**

   Supporting educational quality improvement and enhancement of learning outcomes through, *inter alia*, the following activities:

   (a) development of grade and subject specific learning indicators to measure student progress at different grade levels;

   (b) development of guidelines for early grade learning in reading and mathematics;

   (c) improvement of science and mathematics teaching in upper primary schools through specialized teacher training programs and follow-up and on-site support through block resource centers and cluster resource centers;

   (d) establishment of a National Centre for School Leadership (NCSL) within the National University of Educational Planning and Administration, and, through the NCSL, the development and implementation of a school leadership program and standards and framework for the assessment of school performance in elementary schools; and

   (e) training of teachers to acquire professional qualifications.

2. **Strengthening Monitoring and Evaluation for Improved Accountability**

   Supporting interventions aimed at strengthening monitoring and evaluation for improved accountability through, *inter alia*, the following activities:

   (a) capacity building of the National Council for Educational Research and Training ("NCERT") to expand the use of a national achievement survey to demonstrate reliability over time for remedial action to improve the teachers' capacities, and to include children with special needs;

   (b) development and implementation of state learning assessment surveys and other assessment and analysis methodologies for student outcomes;
strengthening of school level classroom based assessments through continuous and comprehensive evaluation of students; improving teacher training through technical assistance; and expanding the provision of teaching and learning materials in classrooms;

(d) strengthening the impact evaluation of various aspects of the Program;

(e) development of teacher performance standards and piloting of instruments to measure teacher performance under performance indicators for elementary school teachers;

(f) provision of continuing needs-based, teacher training programs to prepare teachers to teach an increasingly diverse student population, as well as in multi-grade settings;

(g) capacity building of school management committees to enhance social accountability and school performance;

(h) improving the quality of the unified district information systems on education and the educational development index derived therefrom;

(i) provision of attention to special focus districts to address the needs of out of school children, enhance student transition from primary level to upper primary level, and improve quality; and

(j) capacity building of academic support institutions at the sub-district, district, state, and national levels.

3. **Enhancing Access and Retention for Disadvantaged Students**

Supporting interventions aimed at increasing enrollment and retention of marginalized and disadvantaged children through, *inter alia*, the following activities:

(a) support for special provisions to enroll marginalized children including through the establishment of special training centers to prepare them for grade and age appropriate mainstreaming, community mobilization and awareness campaigns to increase enrollment particularly at the upper primary level, identification of unserved habitations for schooling provision, increased provision of upper primary schools and sections, infrastructure maintenance works, and increasing drinking water and toilet facilities for girls and boys; and

(b) improvement of the enrollment share and retention of girls, scheduled caste, scheduled tribe and minority children and children with special needs in schools, including through strengthening the processes and timeliness for the distribution of textbooks, uniforms, and other
entitlements, and the design of specific strategies for children with special needs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall:

(a) cause MHRD, through EEB II, to oversee and be responsible for the day-to-day implementation of the Program;

(b) maintain the PAB throughout the Project implementation period;

(c) ensure that SISs and other Project Executing Agencies remain operational throughout the Project implementation period;

(d) cause MHRD, through EEB II, to ensure that the PAB meets regularly and whenever necessary to, *inter alia*, approve and sanction AWP& Bs and the National Components and the State Components, ensure adherence to the financial norms envisaged in the Program, with the overall objectives of the Program and the Project, ensure cost effectiveness of all proposed interventions at various levels and co-ordinate the activities of Project Executing Agencies;

(e) cause MHRD, through EEB II, to make timely submission of AWP& Bs, State and National Components for appraisal and subsequent approval by PAB;

(f) cause MHRD, through EEB II, to ensure SISs provide funds to various Project Executing Agencies as per approved AWP& Bs and the provisions of the Manual on Financial Management and Procurement;

(g) cause MHRD and the Project Executing Agencies to maintain financial management staff for the Project as per the provisions of the Manual on Financial Management and Procurement; and

(h) cause the audits of various Project Executing Agencies to be conducted in a timely manner in accordance with the terms of reference set out in the Manual on Financial Management and Procurement.

B. Manuals and Plans

1. Throughout the duration of the Project, the Recipient shall:

(a) apply the SSA Framework for Implementation and the Manual on Financial Management and Procurement; and
(b) promptly inform the Association of any amendment, waiver or abrogation of any provision of the SSA Framework for Implementation or any provision of the Manual on Financial Management and Procurement; and not amend, waive or abrogate any provision of the SSA Framework for Implementation or the Manual on Financial Management Procurement which would materially adversely affect the objectives of the Project.

2. Throughout the duration of the Project, the Recipient shall, and shall cause the Project States and the SISs to:

   (a) carry out the Project in accordance with the SSA Framework for Implementation;

   (b) implement the Manual on Financial Management and Procurement in accordance with the objectives, policies, procedures, time schedules and other provision set forth therein; and

   (c) refrain from taking any action which shall prevent or interfere with the implementation of the SSA Framework for Implementation, the Manual on Financial Management and Procurement.

3. The Social Assessment Framework ("SAF") and the interventions, such as those set forth in the Project Description above targeting socially deprived groups as per the SSA Framework for Implementation, shall be implemented by the Recipient through the Project Executing Agencies in a manner satisfactory to the Association.

4. The Recipient shall carry out and shall cause the Project Executing Agencies to carry out the Project in accordance with the agreed environmental management provisions of the Environmental Assessment Report ("EAR") and ensure: (a) that the appraisal of independent third party evaluations of civil works shall include the EAR and all environmental management measures; and (b) that the outputs of such environmental evaluations are used to improve the implementation of the Program in the subsequent years.

C. Land

The Recipient shall ensure that no Credit proceeds will be utilized for any land, or other land associated asset acquisition, nor will any Credit proceeds be utilized for involuntary resettlement, nor will any activities under the Program involve the purchase or acquisition of any land or involuntary resettlement.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
E. Implementation Arrangements with Project States

The Recipient, through MHRD, shall cause each Project State and its respective SIS to execute and furnish to MHRD a Letter of Undertaking in form and substance satisfactory to the Association.

Section II. Project Monitoring, Reporting, Evaluation, JRM's and Mid-Term Review

A. Project Reports

1. The Recipient, through MHRD, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of the results framework agreed with the Association. Each Project Report shall cover a six-month period, and shall be furnished to the Association prior to the applicable JRM.

2. The Recipient, through MHRD, shall review with the Association, during JRM's to be held in the months of January/February and September/October of each year of Project implementation, progress made in carrying out the Project, and the attainment of the objectives thereof, such reviews to be based on the Project Reports referred to in paragraph 1 above; and thereafter take, or cause to be taken, all such action as agreed upon by the Recipient and Association during such reviews as necessary for the efficient execution of the Project, and the achievement of the objectives thereof.

3. The JRM during January/February 2016 shall constitute the Mid-Term Review of the progress made in carrying out the Project. Such Mid-Term Review shall be carried out in accordance with terms of reference acceptable to the Recipient and the Association.

4. For purposes of Section 4.08(c) of the General Conditions, and without limitation thereto, the Recipient shall:

   (a) prepare and furnish to the Association not later than six (6) months after the Closing Date, a report on the implementation of the Project in context of the continuation of the Program; and

   (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said report.

B. Financial Management, Financial Reports and Audits

1. The Recipient, through MHRD, shall and shall cause Project Executing Agencies to maintain a financial management system, including records and accounts, and prepare financial statements as prescribed in the Manual on Financial
Management and Procurement which is compliant with the provisions of Section 4.09 of the General Conditions.

2. The Recipient, through MHRD, shall prepare and furnish to the Association not later than ninety (90) days after the end of each six-month period of each Fiscal Year, Interim Un-audited Financial Reports ("IUFRs") for the Project covering the six-month period, in form and substance satisfactory to the Recipient and the Association.

3. The Recipient, through MHRD, shall cause each Project State and its respective SIS to:

(a) have the SIS financial statements for each Fiscal Year audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

(b) furnish to the Association certified copies of the audited financial statements referred to in paragraph 3(a) above no later than nine (9) months after the end of each Fiscal Year; ensure that the audited financial statements for each period shall be made publicly available in a timely fashion and in a manner acceptable to the Association; and

(c) furnish to the Association such other information concerning the audited SIS Financial Statements and such auditors, as the Association may from time to time reasonably request.

Section III. Procurement

A. General

The Recipient shall ensure that all goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Manual on Financial Management and Procurement and the provisions of this Section.

B. Particular Methods of Procurement of Goods and Works

(a) Goods, excluding information technology equipment, estimated to cost the equivalent of more than US$50,000 but not more than US$500,000 per contract, and works estimated to cost the equivalent of more than US$50,000 but not more than US$500,000 per contract shall be procured under contracts awarded in accordance with the "Open Tender" procedures as set forth in paragraphs 115-117 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).
(b) Notwithstanding paragraph B(a) above, textbooks estimated to cost the equivalent of more than US$1,000,000 but not more than US$2,000,000 per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 115-117 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).

(c) Notwithstanding paragraph B(a) above, works for State Institutes of Educational Management and Training (SIEMAT) estimated to cost the equivalent of up to US$800,000 shall be procured under contracts awarded in accordance with the provisions of paragraphs 115-117 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).

(d) Information technology equipment estimated to cost the equivalent of more than US$50,000 but not more than US$3,000,000 per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 115-117 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).

(e) Goods, including information technology equipment, estimated to cost the equivalent of US$50,000 or less per contract may be procured in accordance with the provisions of paragraph 118 of Chapter IX of the Manual on Financial Management and Procurement (Limited Tender Method).

(f) Procurement of the following goods and services may be carried out in accordance with the provisions of paragraph 119 of Chapter IX of the Manual on Financial Management and Procurement (Single Tender Method):

(i) goods estimated to cost the equivalent of less than US$50,000 per contract and which are specifically certified as of proprietary nature or of which only a particular firm is the manufacturer; and

(ii) textbooks estimated to cost the equivalent of US$1,000,000 or less per contract.

(g) Works estimated to cost the equivalent of US$75,000 or less per contract may be carried out in accordance with any of the following provisions:

(i) paragraph 121 of Chapter IX of Manual on Financial Management and Procurement (Procurement Through Communities); or

(ii) paragraph 119 of Chapter IX of the Manual on Financial Management and Procurement (Single Tender Method i.e. direct contract without competition).
(h) Works estimated to cost the equivalent of US$75,000 or less per contract may be carried out in accordance with paragraph 118 of Chapter IX of the Manual on Financial Management and Procurement (Limited Tender Method).

(i) Goods, other than information technology equipment, estimated to cost the equivalent of more than US$500,000 per contract, shall not be procured using the proceeds of this Credit.

(j) Textbooks estimated to cost the equivalent of more than US$2,000,000 per contract, shall not be procured using the proceeds of this Credit.

(k) Works (other than for SIEMAT) estimated to cost the equivalent of more than US$500,000 per contract, shall not be procured using the proceeds of this Credit.

(l) Works for SIEMAT estimated to cost the equivalent of more than US$800,000 per contract, shall not be procured using the proceeds of this Credit.

(m) Information technology equipment estimated to cost the equivalent of more than US$3,000,000 per contract, shall not be procured using the proceeds of this Credit.

C. **Particular Methods of Employment of Consultants**

1. All consulting services to be financed out of the proceeds of this Credit and estimated to cost the equivalent of US$300,000 or less per contract shall be procured in accordance with paragraph 123-124 of Chapter IX of the Manual on Financial Management and Procurement.

2. Consultancy services estimated to cost the equivalent of more than US$300,000 per contract shall not be procured using the proceeds of this Credit.

D. **Other Procurement Provisions**

1. The Recipient, through MHRD, shall cause the Project States to publish their annual procurement plans on the websites of the SIS’s by October of each year.

2. The Recipient, through MHRD, shall carry out the following Procurement Audits:

   (a) internal procurement audit in accordance with the provisions of paragraph 104 of Chapter VII of the Manual on Financial Management and Procurement;
(b) external procurement audit in accordance with the provisions of Chapter VIII of the Manual on Financial Management and Procurement; and

(c) procurement reviews as part of the concurrent financial reviews as per the paragraph 102 of Chapter VII of the Manual on Financial Management and Procurement.

3. Notwithstanding anything contained in clause (c) of paragraph D.2 above, the Association reserves the option to carry out post review of any contract awarded in accordance with Section III of this Schedule 2. Such post review, however, shall be carried out in consultation with the Recipient.

4. The Recipient, through MHRD, shall:

(a) make available to the Association no later than nine (9) months after the end of each fiscal year the audit reports for the Procurement Audits referred to in paragraph D.2(b) of Section III above;

(b) make available to the Association at the time of each review referred to in Section II.A.2 of this Schedule 2 such concurrent financial review Reports referred to in paragraph D.2(c) of Section III above as have been completed since the previous review; and

(c) refer all cases of non-compliance with the Manual on Financial Management and Procurement, and this Schedule 2, Section III to the relevant authorities of the Recipient and the Project States for their taking necessary remedial action.

5. Conflict of Interest

(a) A firm which has been engaged by the Recipient to provide consulting services for the preparation or implementation of a project, or any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm, shall be disqualified from subsequently providing goods, works, or services resulting from, or directly related to the firm’s consulting services for such preparation or implementation. Conversely, a firm which has been engaged by the Recipient to provide goods, works, or non-consulting services for the preparation or implementation of a project, or any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm, shall be disqualified from providing consulting services resulting from, or directly related to those goods, works, or non-consulting services.

(b) Conflict among consulting assignments: Neither consultants (including their personnel and sub-consultants) nor any affiliate that directly or indirectly controls, is controlled by, or is under common control with that
firm, shall be hired for any assignment that, by its nature, may be in conflict with another assignment of the consultants.

(c) Relationship with Recipient's staff: Firms (including their experts and other personnel and sub-consultants) that have a close business or family relationship with a member of the Recipient's professional staff (or of the project implementing agency's staff or of a beneficiary of the Credit) who are directly or indirectly involved in any part of: (i) the preparation of the bidding documents or specifications of the terms of reference of the contract; (ii) the bid evaluation or selection process for such contract; or (iii) implementation or supervision of such contract may not be awarded a contract, unless the conflict of interest stemming from this relationship has been resolved in a manner acceptable to the Association throughout the selection process and the execution of the contract.

(d) Consultants or their affiliates competing for a specific assignment shall not derive a competitive advantage from having provided consulting services related to the assignment in question, and to that end, the Recipient shall make available to all short-listed consultants, together with the request for proposals, all information that would in that respect give all consultants equal opportunity and no advantage.

(e) A firm shall also be considered to have a conflict of interest if such firm submits more than one bid/proposal either individually or as a joint venture partner in another bid/proposal. This will result in disqualification of all bids/proposals in which the firm is involved. This does not, however, preclude a consulting firm from participating as a sub-consultant or an individual to participate as a team member in more than one proposal when circumstances justify, and if permitted by the request for proposals.

6. Eligibility Exceptions

(a) Government-owned enterprises in the Recipient's country may participate in a procurement process only if they can establish that they: (i) are legally and financially autonomous; (ii) operate under commercial law; and (iii) are not dependent agencies of the Recipient or a Project State.

(b) Government officials and civil servants will not be hired under consulting contracts, either as individuals or as members of a team of a consulting firm.

(c) A firm declared ineligible by the Association in accordance with subparagraph (d) of paragraph 1.16 of the Procurement Guidelines or subparagraph (d) of paragraph 1.23 of the Consultants Guidelines or in accordance with the Association's anti-corruption policies shall be
ineligible to be awarded an Association-financed contract during the period of time determined by the Association. For purposes of this subparagraph, the relevant anti-corruption policies are set forth in the Anti-Corruption Guidelines.

7. Joint Ventures

Mandatory joint ventures or other forms of mandatory association between firms shall not be financed out of the proceeds of this Credit.

8. Fraud and Corruption

The provisions of paragraph 1.16(a) through (f) of the Procurement Guidelines and paragraph 1.23(a) through (f) of the Consultants Guidelines shall apply to all procurement financed by this Credit.

9. Price Negotiations

The Association shall reserve the right to determine whether a contract is financed or not out of the proceeds of the Financing in cases where the price of a given good, work or service has been subject to negotiations with the lowest evaluated bidder in a competitive process.

10. Prior Review

There will be no prior review with respect to all contracts being financed under this Agreement.

E. Misprocurement

1. The Association shall not finance expenditures for goods, works and services which have not been procured in accordance with the agreed provisions in this Agreement and in accordance with paragraph 127 of Chapter IX of the Manual on Financial Management and Procurement.

2. Further, the Association shall not finance expenditures under a contract for goods, works, non-consulting services and consulting services if the Association concludes that such contract: (a) could not be awarded to the consultant or bidder otherwise determined successful due to willful dilatory conduct or other actions of the Recipient resulting in unjustifiable delays, or the successful proposal/bid being no longer available, or the wrongful rejection of any proposal; or (b) involves the engagement of a representative of the Recipient or a recipient of any part of the proceeds of the Credit, in fraud and corruption as per paragraph 1.23(c) of the Consultants Guidelines or paragraph 1.16(c) of the Procurement Guidelines.
3. In all such cases referred to in the preceding paragraphs of this Section, the Association shall declare misprocurement, and it is the policy of the Association to cancel that portion of the Financing allocated to the goods, works and services that have been so misprocured.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocation of the Financing to such Category, and the percentage of expenditures to be financed for Eligible Expenditures in such Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Part A of the Credit Allocated (expressed in SDR)</th>
<th>Amount of Part B of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Salaries, Trainings and Workshops, under the Program for Fiscal Year 2013-14 to Fiscal Year 2017-18</td>
<td>544,400,000</td>
<td>106,600,000</td>
<td>100 % of Eligible Expenditures in each Fiscal Year up to an Annual Cap</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>544,400,000</td>
<td>106,600,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement except that withdrawals of an amount not exceeding the equivalent of SDR 129,400,000 may be made on account of payments made for Eligible Expenditures before that date and incurred after May 16, 2013; and (b) payments made for expenditures for works, goods and services supplied under a contract
which any international institution or agency or the Association shall have financed or agreed to finance under any other agreement.

2. Except as the Association may otherwise agree, the Annual Cap: (a) for Fiscal Year 2013-14 shall be SDR 129,400,000; (b) for Fiscal Year 2014-15 shall be SDR 213,500,000; (c) for Fiscal Year 2015-16 shall be SDR 159,300,000; (d) for Fiscal Year 2016-17 shall be SDR 116,500,000; and (e) for Fiscal Year 2017-18 shall be SDR 32,300,000 respectively.

3. Notwithstanding the provisions of the foregoing paragraphs, and except as the Association may otherwise agree, withdrawals in respect of Eligible Expenditures shall be made on an annual basis in accordance with the following provisions:

(a) with respect to Eligible Expenditures for Fiscal Year 2013-14 to Fiscal Year 2017-18, the Recipient may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the IUFRs covering the relevant Fiscal Year and any other information as the Association shall specify by notice to the Recipient. Except as the Association may otherwise agree, such request in respect of a Fiscal Year shall be made no later than July 31 of the following Fiscal Year. For Fiscal Year 2017-18, request for withdrawal of Eligible Expenditure for the six (6) months ending September 2017 shall be made no later than December 2017;

(b) the total withdrawals for each Fiscal Year shall not exceed the Annual Cap applicable to such Fiscal Year. If, in any Fiscal Year, Eligible Expenditures fall short of the Annual Cap, an amount equal to such shortfall shall be carried forward and added to the Annual Cap of the next Fiscal Year; and

(c) no withdrawals shall be made from the proceeds of the Credit for a Fiscal Year towards the reimbursement of expenditure incurred by an SIS unless the due audited financial statement of the respective SIS for the previous Fiscal Year has been submitted by the Recipient pursuant to this Agreement.

4. The Closing Date is September 30, 2017.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit Repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1:</td>
<td></td>
</tr>
<tr>
<td>Commencing November 1, 2019 to and including May 1, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing November 1, 2029 to and including May 1, 2039</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Annual Cap" means the maximum annual cap assigned for each Fiscal Year as set forth in Section IV.B.2 of Schedule 2 to this Agreement.

2. "Annual Work Plans and Budgets" or "AWP&Bs" means the Annual Work Plans and Budgets for the Program for a Fiscal Year prepared by Districts.


4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. "District" means an administrative district within a Project State.

7. "DSEL" means the Department of School Education and Literacy within MHRD (as hereinafter defined) which is responsible for, inter alia, technical and financial oversight of the Program, or any successor thereto.

8. "Elementary Education Bureau II" or "EEB II" means the unit within DSEL which is responsible for coordination and implementation of Program activities.

9. "Environment Assessment Report" or "EAR" means the Environmental Assessment and Management Framework dated December 2013 of the Recipient, which, inter alia, identifies the environmental and public health impacts of the Project and actions to be taken in respect thereof, including good practice management and mitigation measures to reduce the risks and impacts, as such framework may be amended from time to time with the prior written agreement of the Association.

10. "FY" or "Fiscal Year" means the fiscal year of the Recipient, which commences on April 1 of a calendar year and ends on March 31 of the following calendar year.

11. "General Conditions" means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
12. "Interim Un-audited Financial Reports" or "IUFRs" means the financial reports that the Recipient periodically provides to the Association in accordance with this Agreement, and that reflect all project activities, financing, and expenditures, including counterpart funds.

13. "JRM" means the Joint Review Mission to be carried out pursuant to Section II.A paragraphs 2 and 3 of Schedule 2 to this Agreement.

14. "Letter of Undertaking" or "LOU" means the letter of commitment by a Project State and its SIS to the Recipient confirming the Project State's financial contribution to the Program in accordance with the SSA Framework for Implementation and includes the Recipient’s letter sanctioning release of funds to the SIS of such Project State which calls for their commitment to the Program and the bond furnished by the Project State's SIS committing them to implement the Program in accordance with the sanction letter.


16. "Mid-term Review" means the Mid-term Review to be carried out pursuant to Section II.A. 3 of Schedule 2 to this Agreement.

17. "MHRD" means the Recipient’s Ministry of Human Resource Development or any successor thereto.

18. "National Council for Education Research and Training" or "NCERT" means the center registered as a society under the Registration of Society Act (Act XXI of 1860) whose main purposes are to, inter alia, undertake, promote and coordinate research and training in all branches of education, or any successor thereto acceptable to the Association.

19. "National Centre for School Leadership" or "NCSL" means the center constituted under NUEPA whose main purposes are to, inter alia, build leadership capacities for improving schools within the territory of the Recipient, or any successor thereto acceptable to the Association.

20. "National Component" means the component under the Program to be carried out at the national level by the Recipient in each Fiscal Year.

21. "National University of Educational Planning and Administration" or "NUEPA" means the university established by MHRD in 2006 with the purpose of dealing with capacity building and research in planning and management of education, or any successor thereto acceptable to the Association.

22. "Procurement Audits" means the procurement audits and reviews referred to in Section III.D.2 of Schedule 2 to this Agreement.

24. "Project Approval Board" or "PAB" means the Board convened by MHRD to, *inter alia*, approve AWP&Bs, State Components (as hereinafter defined) and the National Component.

25. "Project Executing Agencies" means all agencies of the Recipient responsible for implementation and execution of the Program and includes, *inter alia*, MHRD, DSEL, NCERT, NUEPA, the Project States and SISs (as hereinafter defined).

26. "Project State" means any State or Union Territory of the Recipient, including any successor or successors thereto, which participates in the Project and has signed an LOU with the Recipient.

27. "Salaries" means wages and benefits to personnel necessary for Program implementation and financed under the Project including, *inter alia*, teachers, academic support staff and administrative staff.

28. "Sarva Shiksha Abhiyan Framework for Implementation" or "SSA Framework for Implementation" means the framework document published in May 2001 and revised in March 2011 and as amended from time to time under information to the Association by the Recipient for implementation of the Program and which contains, *inter alia*, the basis of SSA planning and financing norms.

29. "State Institutes of Educational Management and Training" or "SIEMAT" means each of the institutes established in each of the Project States with the purpose of supporting the educational planning, management of research and evaluation studies and providing professional support through capacity building programs, or any successors thereto acceptable to the Association.

30. "SIS" means a State Implementation Society in each Project State incorporated under the Recipient's Societies Registration Act 1860 (21 of 1860).

31. "Social Assessment Framework" or "SMF" means the Social Assessment Framework of the Recipient dated December 2013, for, *inter alia*, undertaking social analysis and developing mitigation measures for all Project activities, including with respect to interventions targeting socially deprived groups and tribal peoples/indigenous peoples, as such framework may be amended from time to time with the prior written agreement of the Association.

32. "State Component" means the component under the Program to be carried out by a Project State, including its SIS, in each Fiscal Year other than the components included in the Districts' AWP&Bs.

33. "Trainings and Workshops" means the reasonable costs of trainings, seminars, workshops, conferences and study tours, conducted in the territory of the
Recipient and/or overseas, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances for both trainers and trainees; (c) the rental of training facilities; and (d) preparation, purchase or reproduction of training materials.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

"32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).