Financing Agreement

(Second Elementary Education Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 14, 2008
FINANCING AGREEMENT

AGREEMENT dated August 14, 2008, between INDIA, acting by its President (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of supporting a comprehensive policy and budgetary framework (currently financed under the Recipient’s Eleventh Five Year Plan 2007 – 2012) for universalizing access to and provision of elementary education under its National Program for Universal Elementary Education (Sarva Shiksha Abhiyan) (the “Program”).

India also has requested the United Kingdom Department for International Development (“DFID”) and the European Commission (“EC”) to support the Program and by separate agreements to be entered into between DFID and the Recipient (“the DFID Grant Agreement”) and the EC and the Recipient (“the EC Grant Agreement”), DFID intends to provide a grant (“the DFID Grant”) in a principal amount of one hundred forty five million Pounds Sterling (£145,000,000) and the EC intends to provide a grant (“the EC Grant”) in a principal amount of seventy nine million two hundred thousand Euros (€79,200,000) to assist in financing, through a common pool, activities of the Program on terms and conditions to be set forth in the DFID Grant Agreement and the EC Grant Agreement. In addition, DFID intends to provide another grant (“the TC Fund”) in a principal amount of five million Pounds Sterling (£5,000,000).

DFID, the EC and the Association (collectively referred to as the “Development Partners”) and the Recipient intend to enter into a Memorandum of Understanding (the MOU) providing for, inter-alia, matters of technical, operational and financial co-operation amongst the Development Partners and the Recipient on the terms and conditions set forth in the said Memorandum.

On the basis, inter-alia, of the foregoing, the Recipient and the Association now therefore hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in Appendix 1 to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the Preamble or in the General Conditions or in Appendix 1 to this Agreement.

1.03. Each reference in the General Conditions to the Project Implementing Entity shall 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 an amount equivalent to three hundred sixty four million four hundred thousand Special Drawing Rights (SDR 364,400,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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 Payment Dates are January 15 and July 15 in each year.

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

2.07. The Payment Currency is Dollars.

ARTICLE III – PROJECT

3.01. The Recipient declares its commitment to the objectives and implementation of the Project. To this end, the Recipient, through 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) that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
(b) that the SSA Framework for Implementation shall have 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) that the Manual on Financial Management and Procurement shall have 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 Undertakings under this Project, shall have 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) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen 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 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

5.01. The Effectiveness Deadline is the date ninety (90) days 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 - 110024, India

Cable: ECOFAIRS
Telex: 953-31-66175
Facsimile: 91-11-3092477
New Delhi FINE IN
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 /s/ Madhusudan Prasad
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rachid Benmessaoud
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient’s ongoing programme for Universal Elementary Education as described in SSA Framework for Implementation, with the aim of achieving universal enrollment and completion of elementary education of satisfactory quality through, significantly increasing the number of 6-14 year old children in India, especially from marginalized groups such as Scheduled Castes (SC) and Scheduled Tribes (ST), enrolled, regularly attending and completing elementary education and demonstrating basic learning levels.

The Project consists of the following activities, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective.

Supporting all activities under the SSA Framework which, inter-alia, includes the following:

(I) Improving Educational Quality

Supporting an educational quality enhancement framework through, inter-alia, the following activities:

(a) teacher appointments and training, improved pedagogy, decentralized academic support, provision of textbooks, development of teaching and learning materials, state-specific remedial teaching to ensure basic academic skills and other quality improvement innovations;

(b) capacity building and academic support to central, state and sub-state structures through Block and Cluster Resource Centers (BRCs and CRCs), sharing of best practices and support to planning and appraisal processes, and to measurement and evaluation processes;

(c) monitoring educational outcomes, through the District Information System for Education (DISE), Project Management Information System (PMIS), Quality Monitoring Tools (QMT) of National Council for Education and Research Training (NCERT), National Assessment Survey (NAS), and third party research and evaluation studies;

(d) training and capacity building in educational planning, management and appraisal, including provision for, inter-alia, State Institutes of Educational Management and Training (SIEMAT); and

(e) provision of information technologies for teacher training, supplementary learning for students and monitoring of the Project.
(II) Universalizing Access and Promoting Equity

Supporting interventions aimed at increasing and retaining enrollment for children through, *inter-alia*, the following activities:

(a) the establishment, construction and extension of primary and upper primary schools in districts where access is still an issue, and the provision of teachers and school facilities;

(b) the provision of grants to schools and teachers to ensure basic conditions for teaching and learning;

(c) the provision of grants to support children with special needs (for example, to fund installation of special facilities in buildings, medical assessment, appropriate aids and appliances and special training for teachers) as well as for home based care/education for the more severely disabled;

(d) the provision of free textbooks;

(e) the provision of free hostel facilities, especially for girls;

(f) supporting the greater use of Innovation Funds for interventions such as Early Childhood Care and Education (ECCE), boosting the performance of first generation learners, especially SC, ST, and girls;

(g) training and capacity building of local bodies (e.g. Village Education Committees), for community mobilization, participation, and supervision and monitoring of schools;

(h) the provision of need-based flexible and alternative schooling interventions for children outside the formal schooling system;

(i) maintenance and repair of school buildings;

(j) the provision for the education of girls, SC, ST, minorities and urban deprived children;

(k) carrying out activities at the National, State and District level including training, capacity building, technical support, monitoring and evaluation, financial management, dissemination and media campaigns; and

(l) planning, operation and management of the programme.
SCHEDULE 2

Project Execution

Section I. Institutional and Other 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) shall 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

1.01. 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.

1.02. 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.

2. The Tribal Development Plan 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.

3. 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 Environment Assessment Report (EAR) and ensure: (i) that the appraisal of AWP&Bs and National and State Components and independent third party evaluations of civil works shall include the EAR and all environmental management measures; and (ii) that the outputs of such environmental evaluations are used to improve the implementation of the Program in the subsequent years.

C. Financial Commitments

The Recipient shall:

(a) throughout the Project implementation period, maintain financial commitment to the Program in real terms to the level of Fiscal Year 2002-2003 in elementary education; and
(b) cause the Project States to maintain their financial commitment to the Program in real terms to the level of Fiscal Year 1999-2000 in elementary education. The contribution by the Project States to the Program shall be over and above this commitment.

D. Land

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 as the Program does not support either the purchase or acquisition of any land or involuntary resettlement.

E. Anti-Corruption

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

F. 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, 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 indicators agreed with the Association. Each Project Report shall cover a six-month period, and shall be furnished to the Association prior to the JRM.

2. The Recipient, through MHRD, shall review with the Association in the months of December/January and June/July of each year of Project implementation [JRM], 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 July 2009 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 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 for the Project covering the six-month period, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements and the records and accounts for the designated account(s) referred to in Section 2.04 of the General Conditions for each Fiscal Year audited in accordance with the provisions of Section 4.09(b) of the General Conditions. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

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

(a) have the State and 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) upon request, furnish to the Association certified copies of the Financial Statements referred to in paragraph 4(a) above; and
(c) furnish to the Association such other information concerning the audited State and SIS Financial Statements and such auditors, as the Association may from time to time reasonably request.

5. The Recipient, through MHRD, shall:

(a) furnish to the Association no later than nine (9) months after the end of each Fiscal Year, a Consolidated Report on Audits containing an opinion on the State and SIS Financial Statements referred to in paragraph B.4 (b) of this Section II and the reports on Procurement Audit referred to in Part D of Section III below, of such scope and in such detail as the Association shall have reasonably requested; and

(b) furnish to the Association such other information concerning such Consolidated Report on Audits 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$300,000 per contract and works estimated to cost the equivalent of more than US$40,000 but not more than US$300,000 per contract shall be procured under contracts awarded in accordance with the “Open Tender” procedures as set forth in paragraphs 110-112 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).

(b) Notwithstanding paragraph B(a) above, text books estimated to cost the equivalent of up to US$1,000,000 per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 110-112 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).

(c) Notwithstanding paragraph B(a) above, works for 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 110-112 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$4,000,000 per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 110-112 of Chapter IX of the Manual on Financial Management and Procurement (Open Tender Method).

(e) Goods, including Information Technology Equipment, estimated to cost equivalent of US$50,000 or less per contract may be procured in accordance with the provisions of paragraph 113 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 114 of Chapter IX of the Manual on Financial Management and Procurement (Single Tender Method):

(i) goods estimated to cost equivalent of less than US$30,000 per contract and which are specifically certified as of proprietary nature or of which only a particular firm is the manufacturer;

(ii) textbooks estimated to cost equivalent of US$500,000 or less per contract; and

(iii) Books, teaching materials, school facility improvement, hiring of vehicles and operation and maintenance equipment estimated to cost equivalent of less than US$30,000 per contract.

(g) Works estimated to cost equivalent of US$40,000 or less per contract may be carried out in accordance with any of the following provisions:

(i) paragraph 116 of Chapter IX of Manual on Financial Management and Procurement (Procurement Through Communities); or

(ii) paragraph 114 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 equivalent of US$50,000 or less per contract may be carried out in accordance with paragraph 113 of Chapter IX of

(i) Goods, other than Information Technology Equipment, estimated to cost the equivalent of more than US$300,000 per contract, shall not be procured using the proceeds of this Credit.

(j) Textbooks estimated to cost the equivalent of more than US$1,000,000 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$300,000 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$4,000,000 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 equivalent of US$200,000 or less per contract shall be procured in accordance with paragraph 118-119 of Chapter IX of the Manual on Financial Management and Procurement.

2. Consultancy Services estimated to cost equivalent of more than US$200,000 per contract shall not be procured using the proceeds of this Credit.

D. Other Procurement Provisions

1. The Recipient shall cause the States to publish their Annual Procurement Plans on the websites of the SIS’s by October of each year.

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

(a) Internal Procurement Audit in accordance with the provisions of paragraph 100 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.
(c) Procurement Reviews as part of the Concurrent Financial Reviews as per the paragraph 98 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 shall:

(a) make available to the Association at the time of each review referred to in Section II.B.5(a) of this Schedule 2 the Audit Reports for the audits referred to in paragraph D.2(b) of Section III above;

(b) make available to the Association at the time of each December/January review referred to in Section II.A.2 of this Schedule 2 the Concurrent Financial Review Reports referred to in paragraph D.2(c) of Section III above; 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. Eligibility Exceptions

(a) A firm which has been engaged by the Recipient to provide consulting services for the preparation or implementation of a project, and any of its affiliates, 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.

(b) Government-owned enterprises in the Recipient’s country may participate 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.

(c) 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.

(d) Conflict among consulting assignments: Neither consultants (including their personnel and sub-consultants) nor any of their affiliates shall be
hired for any assignment that, by its nature, may be in conflict with another assignment of the consultants.

(e) Relationship with Recipient’s staff: Consultants (including their personnel and sub-consultants) that have a business or family relationship with a member of the Recipient’s 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 TOR of the contract; (ii) the selection process for such contract; or (iii) supervision of such contract may not be awarded a contract, unless the contract stemming from this relationship has been resolved in a manner acceptable to the Association throughout the selection process and the execution of the contract.

(f) 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.

(g) A firm declared ineligible by the Association in accordance with subparagraph (d) of paragraph 1.14 of the Procurement Guidelines or in accordance with the Association’s Anti-Corruption policies¹ shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.

6. Advance Contracting and Retroactive Financing

The following items shall not be eligible expenditures for retroactive financing under this Financing Agreement: (i) free textbooks procured under contract; and (ii) SIEMAT civil works.

7. Joint Ventures

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

¹ For purposes of this sub-paragraph, the relevant Anti-Corruption policies are set forth in the Guidelines On Preventing and Combating Fraud and Corruption in Projects financed by IBRD Financings and IDA Credits and Grants, and in the Anti-corruption Guidelines for IFC, MIGA, and World Bank Guarantee Transactions.
8. **Fraud and Corruption**

(i) The provisions of paragraph 1.14(a) through (d) of the Procurement Guidelines shall apply to all procurement financed by this Credit; and

(ii) All bidding documents and all contracts financed in whole or in part by the Association, shall require bidders, suppliers and contractors to permit the Association to inspect the bidders’, suppliers’ and contractors’ accounts and records relating to the bid submission and contract performance of the bidders, suppliers and contractors, and to have these accounts and records audited by auditors appointed by the Association, if so required by the Association.

9. **Prior Review**

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

**E. Misprocurement**

The Association does not finance expenditures for goods, works and services which have not been procured in accordance with the agreed provisions in this Financing Agreement and in accordance with paragraph 122 of Chapter IX of the Manual on Financial Management and Procurement. In such cases, the Association will 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 categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Table: Financing Allocated

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and services under the Program for Fiscal Year 2007-2008 to Fiscal Year 2009-2010.</td>
<td>364,400,000</td>
<td>33.3 % of Eligible Expenditures in each Fiscal Year or any other percentage that the Association may establish from time to time.</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>364,400,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purpose of this Section IV, the following terms have the following meanings:

(a) the term “Eligible Expenditures” means the aggregate of expenditures under Category (1) incurred by the Recipient and Eligible Project States (as hereinafter defined) for the Project in accordance with the provisions of this Agreement in excess of a threshold level of expenditure in a Fiscal Year (the “Threshold Level of Expenditure”) agreed to by the Association and determined in the manner set out in paragraphs B.3 and B.4 below; and

(b) the term “Eligible Project State” means a State or Union Territory of the Recipient that has entered into a Letter of Undertaking (LOU) and such agreement has not been suspended or terminated.

### 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 in an amount not exceeding the equivalent of SDR 72,880,000 may be made on account of payments made for expenditures before that date and incurred after July 1, 2007; 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 Threshold Level of Expenditure for fiscal year 2007-2008 shall be Rupees 4200 crores. The Threshold Level of Expenditure for fiscal year 2008-2009 to fiscal year 2009-
2010 shall be established by the Association in consultation with the Recipient and communicated to the Recipient.

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 2007-2008 to fiscal year 2009-2010, 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 Financial Monitoring Report covering the relevant Fiscal Year and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursement). 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;

(b) no withdrawals shall be made from the proceeds of the Credit for a Fiscal Year unless the Consolidated Report on Audits for the previous Fiscal Year has been submitted by the Recipient pursuant to this Agreement; and

(c) any amount disbursed by the Association to the Recipient in accordance with the above provisions shall be adjusted for actual levels of Eligible Expenditures confirmed by the Consolidated Report on Audits to be submitted by the Recipient pursuant to this Agreement or by other reports or information submitted by the Recipient pursuant to the Association’s request, such adjustment to be made from the next disbursement, provided, however, that the Association may at any time request refunds of amounts not confirmed by such Consolidated Report on Audits, other reports or information, and upon such request, the Recipient shall immediately refund such amount. Any such refunds made to the Association shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

4. The Closing Date is March 31, 2010.
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 January 15 and July 15:</td>
<td></td>
</tr>
<tr>
<td>commencing July 15, 2018 to and including January 15, 2028</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing July 15, 2028 to and including January 15, 2043</td>
<td>2.5%</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 1

Section I  Definitions

1. “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.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “Consolidated Report on Audits” means the report covering the Audits referred to in Section II of Schedule 2 to this Agreement and the Procurement Audits referred to in Paragraph 2(b) of Section III of Schedule 2 to this Agreement.

5. “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.

6. “District” means an administrative district within a Project State.

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

8. “Environment Assessment Report” means the Environment Assessment Report dated September 2007 of the Recipient, which, inter-alia, identifies the main 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.

9. “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.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

11. “JRM” means Joint Review Mission to be carried out pursuant to Section II(A) paragraphs 2 and 3 of Schedule 2 to this Agreement.
12. “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 programme and the bond furnished by the Project State’s SIS committing them to implement the programme in accordance with the sanction letter.

13. “Mid-term Review” means the Mid-term Review to be carried out pursuant to Section II(A) paragraph 3 of Schedule 2 to this Agreement.


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


18. “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.

19. “Project Executing Agencies” means all agencies of the Recipient responsible for implementation and execution of the Program and includes MHRD, DSEL, the Project States and SISs (as hereinafter defined).

20. “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.

21. “Sarva Shiksha Abhiyan Framework for Implementation” or “SSA Framework for Implementation” means the framework document published in May 2001 by the Recipient for implementation of the Program and which contains, inter-alia, the basis of SSA planning and financing norms.

22. “SIS” means a State Implementation Society in each Project State incorporated under the Recipient’s Societies Registration Act 1860 (21 of 1860).
23. “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.

24. “TC Fund” means DFID’s Technical Cooperation Fund which will support strengthening capacity of the National Council for Educational Research and Training to monitor outcomes and to evaluate the impact of quality interventions under the Project.