



CREDIT NUMBER 5578-IN

Financing Agreement

(Enhancing Teacher Effectiveness in Bihar Operation)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *August 7*, 2015

FINANCING AGREEMENT

AGREEMENT dated August 7, 2015, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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.

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 of two hundred and fifty million United States Dollars (USD 250,000,000) (variously, "Credit" and "Financing"), to assist in financing the program and the project as described in Parts I (the "Program") and II (the "Project") of Schedule 1 to this Agreement (the Program and the Project hereinafter jointly referred to as the "Operation").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section V of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
- 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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be at a rate equal to the Reference Rate for the Credit Currency plus the Fixed Spread; provided, however, that the Interest Charge payable shall in no event be less than zero percent (0%) per annum.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 4 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — OPERATION

- 3.01. The Recipient declares its commitment to the objective of the Operation. To this end, the Recipient shall cause the Operation to be carried out by the Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Implementation Entity Agreement.
- 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 Operation 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) BSEIDC's Legal Framework has been amended, suspended, abrogated, repealed or waived so as to affect materially and/or adversely the ability of BSEIDC carry out its day-to-day implementation responsibilities under the Operation as set forth in the Implementation Entity Agreement.
 - (b) An action has been taken or a policy has been adopted which results in:
 - (i) the material and substantial impossibility for the Implementing Entity to carry out the Operation and/or the Program Action Plan, whether in whole or in part; and/or
 - (ii) any significant reversal of Program activities and/or any activity implemented pursuant to the Program Action Plan.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that any of the events specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) 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 of the following officials acting severally: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Recipient's Ministry of Finance.

- 6.02. The Recipient's Address is:

Secretary
 Department of Economic Affairs
 Ministry of Finance
 Government of India
 North Block
 New Delhi 110 001, India

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
 Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

Kumar 7/8/2015

Authorized Representative

Name: RAJ KUMAR

Title: JOINT SECRETARY (MI)

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By

Raini Khanna

Authorized Representative

Name: RAINI KHANNA

Title: ACTING COUNTRY DIRECTOR

SCHEDULE 1**Operation Description**

The objective of the Operation is to improve the effectiveness of elementary school teachers in Bihar.

Part I: The Program consists of the following activities:

Results Area 1: Developing High Quality Teacher Education Institutions for Improved Program Delivery

Strengthening Bihar's institutional capacity to deliver pre-service teacher education/capacitation services and continuous professional development opportunities for teachers through, *inter alia*: (i) the strengthening of SCERT, DIETs, PTECs, BRCs and CRCs to become effective learning centers; and (ii) the use of ICT solutions for teachers' human resource management and administration, and the dissemination of a digital pool of learning resources.

Results Area 2: Training of uncertified primary teachers and continuous professional development

1. ***Pre-service Teacher Education:*** (i) Designing the curricula for an open distance learning Diploma of Elementary Education (D.El.Ed.) for the accreditation of approximately 65,000 teachers to be newly recruited; (ii) strengthening the physical infrastructure of DIETs, PTECs, BRCs and CRCs, including the provision of ICT equipment and renewable energy source solutions, for them to serve as learning centers for the required contact sessions under the D.El.Ed.; and (iii) providing training to the newly recruited teachers using open distance learning courses at learning centers.
2. ***Continuous Professional Development and Leadership Training:*** Providing continuous professional development and leadership training/opportunities to teachers, headmasters, school principals, and BRCs' and CRCs' coordinators, including academic improvement and research opportunities, inter- and intra-state internships, mentoring and coaching programs, and school management training/guidance.

Results Area 3: Developing an Effective Teacher Management System with Robust Monitoring and Evaluation Mechanisms

1. *School Report Cards for Monitoring Schools Performance:* Developing a school report card mechanism to monitor schools' and teachers' performance, including school-based and external assessments of student learning outcomes.
2. *Teacher Education Management Information System:* Enhancing the teacher education management information system (TEMIS) in order to strengthen its master data records and render it a teacher human resource management information platform/tool, including software development and/or expansion/updates, and training on systems management and operation.
3. *Measuring Institutional Effectiveness through the Teacher Education Institutional Development Index:* Developing the teacher education institutional development index (TEIDI) as a mechanism to assess the readiness, competencies and quality of teacher education institutions, including accessibility and quality of infrastructure thereof, and levels of innovation and suitability of their pedagogic practices and curricula.
4. *Monitoring teacher Performance through Teacher Performance Indicators:* (i) Developing and adopting a contextually-relevant set of performance standards and competencies for teachers; and (ii) assess teachers' performance in order to create a performance monitoring database, determine pre-service/in service professional development/training needs, and inform teachers training and continuous professional development programs.

Results Area 4: Improving Accountability Mechanisms at School Level

1. Strengthening the institutional capacity of SMCs to improve school management and undertake social audit and third party evaluation of teachers' performance, including monitoring the quality of education and teachers' attendance.
2. Carrying out third party assessment of SMCs functioning and practices in order to improve the SMCs capacity building program.

Results Area 5: Improved Financial and Governance Mechanism

Improving the accountability and governance framework of DR&T, SCERT and BSEIDC in order to strengthen the Program Fiduciary, Environmental and Social Systems, increase transparency and ensure sustainability.

Part II: The Project consists of the following activities:

1. Strengthening the Bihar's institutional capacity for the implementation of the Operation through: the establishment of a Management Unit; and the provision of technical assistance in specialized areas as needed for the Program to all executing agencies.
2. Carrying out reviews of teachers' performance and students' assessments data, in order to improve policy design and evaluation and enhance teachers' performance, effectiveness and incentives.
3. Carrying out third party validation/verification of the achievement of agreed Disbursement Linked Results under the Program.

SCHEDULE 2**Operation Execution****Section I. Implementation Arrangements****A. On-Lending Arrangements for the Operation**

1. To facilitate the carrying out of the Operation, the Recipient shall make the proceeds of the Financing available to the Implementing Entity in accordance with the Recipient's standard arrangements for developmental assistance to the States of India.
2. Notwithstanding paragraph 1 above, in the event that any provision of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section V.A.1 of this Schedule, were to be found inconsistent with the Recipient's standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall govern.
3. The Recipient shall protect its own interests and the interests of the Association to accomplish the purpose of the Financing.

B. Anti-Corruption for the Program

1. The Recipient shall, and shall cause the Implementing Entity to, ensure that the Program be carried out in accordance with the provisions of the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012.
2. Notwithstanding the generality of paragraph 1 above, the Association's right to investigate allegations regarding the Program's activities and expenditures, and the related access to needed persons, information, and documents will be observed in accordance with the protocol dated July 30, 2008 between the Recipient and the Association and certain "mutatis mutandis" adjustments, inter alia, outlined below:
 - (a) the term "Bank" shall be substituted by the term "Association";
 - (b) in paragraph 3, the term "Joint Secretary (Procurement), Ministry of Health and Family Welfare", shall be substituted by representative designated by the Recipient;
 - (c) where applicable, the term "projects" shall be substituted by the term "Program";

- (d) where applicable "Financing Agreements" shall be substituted with the expression "Financing Agreement and Implementing Entity Agreement";
- (e) In paragraph 2, the following sentence is added at the paragraph's end: "At the Association's request, the Recipient shall take all necessary measures to cause the Implementing Entity to provide the Association with access to the Program's underlying audit reports, books, and records, as well as relevant persons connected with the Program."; and
- (f) In paragraph 3, the expression "central sector projects" shall be substituted by the term "Program".

C. Anti-Corruption for the Project

The Recipient shall ensure, and cause the Implementing Entity to ensure that the Project be carried out in accordance with the provisions of the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

D. Fiduciary, Environmental and Social Systems for the Program

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association, including those set out in the ESSA, and the Program Action Plan ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

- (a) the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
- (b) the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

E. Safeguard Requirements under the Project

1. The Recipient shall cause the Implementing Entity to carry out the Project in accordance with the TDF; and to refrain from taking any action which would prevent or interfere with the implementation of any requirements under the TDF, including any amendment, suspension, waiver, and/or avoidance of any provision of the TDF, whether in whole or in part, without the prior written concurrence of the Association.

2. In the event of any conflict between the provisions of any of the TDF, on the one hand, and the provisions of this Agreement and/or the Implementing Entity Agreement, on the other hand, the provisions of this Agreement and/or the Implementing Entity Agreement shall prevail.

Section II. Excluded Activities under the Program

The Recipient shall ensure that the Program excludes any activities which:

- (a) in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- (b) involve the procurement of: (1) works, estimated to cost fifty million Dollar (US\$ 50,000,000) equivalent or more per contract; (2) goods, estimated to cost thirty million Dollar (US\$ 30,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost twenty million Dollar (US\$ 20,000,000) equivalent or more per contract; or (4) consultants' services, estimated to cost fifteen million Dollar (US\$ 15,000,000) equivalent or more per contract.

Section III. Operation Monitoring, Reporting and Evaluation; Audits

A. Progress Reports for the Operation

The Recipient shall, and shall cause the Implementing Entity to, monitor and evaluate the progress of the Operation and prepare Progress Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Progress Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Audits for the Operation

Without limitation on the generality of Section I.C of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have, and cause the Implementing Entity to have, the respective Financial Statements for the Project and the Program audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Project's and the Program's Financial Statements shall cover the period of one fiscal year of the Recipient and the Implementing Entity, commencing with the fiscal year in which the first withdrawal was made from the Credit under the Program and/or the Project, respectively. 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.

C. Verification Protocols for the Program

The Recipient shall cause the Project Implementing Entity to:

- (a) undertake a verification process, in accordance with the terms of reference agreed with the Association, to certify the fulfillment of the Disbursement Linked Results set out in Schedule 3 to this Agreement; and
- (b) furnish to the Association corresponding verification report, in form and substance agreed with the Association.

D. Interim Financial Reports for the Project

Without limitation on the provisions of Section I.A of this Schedule 2, the Recipient shall cause the Implementing Entity to prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim financial reports for the Project, covering the Eligible Expenditures incurred during the quarter and/or providing a forecast thereof for the two (2) subsequent quarters, all in form and substance satisfactory to the Association.

Section IV. Procurement Activities under the Project (Part II of Schedule 1 to this Agreement)

A. General

- 1. **Consultants' Services.** All consultants' 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 Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- 2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts refer to the corresponding methods described in Sections II, III, IV and V of the Consultant Guidelines.

B. Particular Methods of Procurement of Consultants' Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services required under the Project shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for the Project as specified for each

individual contract in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

C. Review by the Association of Procurement Decisions under the Project

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section V. Withdrawal of the Proceeds of the Financing for the Operation

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 shall specify from time to time by notice to the Recipient (including, in respect of the Eligible Expenditures under Category (2) of the Table in paragraph 2 below, 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) in order to finance:
 - (a) the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in Category (1) of the table in paragraph 2 of this Part A and Schedule 3 to this Agreement; and
 - (b) the Project's Eligible Expenditures as set forth in Category (2) of the table in paragraph 2 below.

2. The following table specifies the categories for the withdrawal of the proceeds of the Financing, and allocated amounts for each such Category, including, as the case may be: (a) the Program's Disbursement Linked Indicators financed under Category (1); and (b) the Project's Eligible Expenditures that may be financed out of the proceeds of the Financing under Category (2), as well as the financing percentages thereof. Notwithstanding the foregoing, for purposes of Category (1) of the table below, the actual amounts authorized for disbursement ("Allocated Amount") and/or the formula for their determination upon the achievement of an individual Disbursement Linked Result for any given DLI financed under such Category, are set forth in Schedule 3 to this Agreement:

Category	Amount of the Financing Allocated (expressed in USD)	Percentage of Eligible Expenditures to be Financed (inclusive of Taxes)
(1) Disbursement under the Program for: (a) DLI #1: <i>(Infrastructure)</i> Provision of requisite infrastructure for TE Institutions; (b) DLI #2: <i>(Institutional Capacity)</i> Enhancement of capacity of TE Institutions for effective teacher education; (c) DLI #3: <i>(Quality Improvement)</i> Training of unqualified teachers and professional development of all teachers through ICT solutions; (d) DLI #4: <i>(Accountability and Monitoring System)</i> Teachers' management and performance effectively monitored and evaluated; (e) DLI #5: <i>(Teachers Accountability)</i> Teachers accountability at school level; (f) DLI #6: <i>(Strengthened Corporate Governance)</i> Program's fiduciary systems & performance; and	50,000,000 35,000,000 40,000,000 36,000,000 44,000,000 20,000,000	N/A
(2) Consultants' services, Training and Workshops and Incremental Operating Costs for the Project	25,000,000	100%
TOTAL AMOUNT	250,000,000	

B. Withdrawal Conditions for the Program

1. Notwithstanding the provisions of Part A of this Section V, no withdrawal shall be made:
 - (a) for payments made in respect of Program Expenditures prior to April 1, 2014 under Category (1); and
 - (b) for the payment of the Allocated Amount of any DLR under Category (1), until and unless the Recipient and/or the Implementing Entity has/have furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Section V.B.1(b) of this Schedule, the Recipient may, at any point in time, withdraw the proceeds of the Financing up to an aggregate amount not to exceed the equivalent of twenty-five percent (25%) of the amounts allocated to all sub-categories under Category (1) (net of any cancellations), as advance for purposes of achieving one or more DLRs for which the Recipient and/or the Implementing Entity shall subsequently furnish the evidence referred to in sub-paragraph (b) of paragraph 1 of this sub-Section V.B; provided, however, that, if by the end of the acceptable period for the verification of DLR(s) the Recipient has withdrawn amounts in excess of the Allocated Amounts authorized for disbursement as per Schedule 3 to this Agreement in respect of documented/achieved DLRs, the Association shall require the Recipient to refund the amount of such excess to the Association promptly upon notice thereof by the Association, in order for the Association to proceed with its cancellation. Notwithstanding the foregoing, the Association may, at any time, in its own discretion, exercise any of the actions set forth in sub-paragraphs 3.(a) and/or 3.(b) (below) of this sub-Section V.B in respect of any such amounts.
3. Notwithstanding the provisions of Section V.B.1 of this Schedule, if the Association is not satisfied that any or various DLR(s) set forth in Schedule 3 of this Agreement has/have been achieved by the end of the Year in which said DLR(s) is/are set to be achieved and/or the Allocated Amount(s) of such DLR(s) has/have not been fully withdrawn, the Association may, at any time, by notice to the Recipient and the Implementing Entity, decide, in its sole discretion, to:
 - (a) authorize the withdrawal of such lesser amount of respective Allocated Amount(s) allocated to said DLR(s) which, in the opinion of the Association, corresponds to the extent of achievement of said DLR(s);
 - (b) withhold all or a portion of the proceeds of the Financing then allocated to said DLR(s) until such DLR(s) is/are satisfactorily met;
 - (c) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR(s) to any other DLR(s); and/or
 - (d) cancel all or a portion of the proceeds of the Financing then allocated to said DLR(s).

C. Withdrawal Conditions for the Project

Notwithstanding the provisions of Part A of this Section V, no withdrawal shall be made for payments made in respect of the Project prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five million United States Dollars (USD 5,000,000) may be made for payments made prior to this date but on or after July 1, 2014, for Eligible Expenditures under Category.(2).

D. Withdrawal Conditions Applicable to the Operation; Withdrawal Period

1. Notwithstanding the foregoing provisions of this Section V, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the aggregate of the total amount of Program Expenditures and Eligible Expenditures paid by the Recipient on account of implementation of this Operation (exclusive of any such expenditures financed by any other financier or by the Association under any other loan, credit or grant), the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association thereafter shall cancel the refunded amount of the Withdrawn Financing Balance.
2. The Closing Date is June 30, 2020.

Schedule 3

Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amounts Applicable to the Program

DISBURSEMENT-LINKED INDICATORS	DISBURSEMENT-LINKED RESULTS						
	RESULTS TO BE ACHIEVED IN FY2014/15 (YEAR 0)	RESULTS TO BE ACHIEVED IN FY2015/16 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2016/17 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 5)	
1. Infrastructure: Ensuring requisite infrastructure for TE Institutions.	(i) BSEIDC has established the minimum standards for the improvement of TE Institutions; and (ii) BSEIDC has prepared a priority list of at least 250 TE Institutions needing improved facilities and ICT infrastructure.	BSEIDC has completed the upgrade of at least 40 TE Institutions since Year 0 in accordance with established minimum standards	BSEIDC has completed the upgrade of: (i) at least 110 TE Institutions in FY2016/17; and (ii) a minimum of 150 TE Institutions since Year 0, all in accordance with established minimum standards	BSEIDC has completed the upgrade of: (i) at least 100 TE Institutions in FY2017/18; and (ii) a minimum of 250 TE Institutions since Year 0, all in accordance with established minimum standards.	BSEIDC has completed the upgrade of: (i) at least 50 TE Institutions in FY2018/19; and (ii) a minimum of 300 TE Institutions since Year 0, all in accordance with established minimum standards.	BSEIDC has completed the upgrade of: (i) at least 50 TE Institutions in FY2019/20; and (ii) a minimum of 350 TE Institutions since Year 0, all in accordance with established minimum standards.	
Allocated Amounts	USD 10,000,000	USD 100,000 per TE Institution upgraded	USD 100,000 per TE Institution upgraded in Year 2	USD 100,000 per TE Institution upgraded in Year 3.	USD 100,000 per TE Institution upgraded in Year 4.	USD 100,000 per TE Institution upgraded in Year 5.	
2. Institutional Capacity: Ensuring Capacity Enhancement of TE Institutions for effective teacher		SCERT has carried out a TEIDI baseline survey of TE Institutions and established their respective aggregate index score to determine priorities for investment.	PSC has filled in at least 60% of the sanctioned staff positions for DIETs and PTECs on regular basis.	PSC has filled in at least 65% of the sanctioned staff positions for DIETs and PTECs in on regular basis.	PSC has filled in at least 75% of the sanctioned staff positions for DIETs and PTECs on regular basis.	SCERT has carried out a TEIDI end-line survey of TE Institutions surveyed in Year 1, evidencing improvements in their respective aggregate index score in at least	

DISBURSEMENT-LINKED RESULTS						
DISBURSEMENT-LINKED INDICATORS	RESULTS TO BE ACHIEVED IN FY2014/15 (YEAR 0)	RESULTS TO BE ACHIEVED IN FY2015/16 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2016/17 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 5)
education delivery.						10% of them.
<i>Allocated Amounts</i>		USD 5,000,000	USD 10,000,000	USD 5,000,000	USD 5,000,000	USD 10,000,000
3. <i>Quality Improvement:</i> Training of unqualified teachers and professional development of all teachers through ICT solutions.	NCTE has approved the package for print-based materials prepared by SCERT for the first year of the curricula of the D.El.Ed..	SCERT has commissioned a needs assessment study for the design of on-line programs for teachers' professional development.	SCERT has rolled out the D.El.Ed. open and distance learning program in at least 100 TE Institutions using ICT-based materials.	At least 60% of teachers enrolled in continuous professional development programs in FY2016/17 in 20 Districts, have completed said programs	(i) At least 14,000 teachers who enrolled the D.El.Ed. open and distance learning program in FY2016/17 have successfully passed the program's final examination; and (ii) At least 70% of teachers enrolled in continuous professional development programs in FY2017/18 in 20 Districts, have completed said programs.	(i) At least 14,000 teachers who enrolled the D.El.Ed. open and distance learning program in FY2017/18 have successfully passed the program's final examination; and (ii) At least 75% of teachers enrolled in continuous professional development programs in FY2018/19 in 20 Districts, have completed said programs.
<i>Allocated Amounts</i>	USD4,000,000	USD 4,000,000	USD 8,000,000	USD 8,000,000	USD 30,000 per batch of 100 teachers that passed the examination (target (i) above); and USD 3,500,000 for target (ii) above.	USD 30,000 per batch of 100 teachers that passed the examination (target (i) above); and USD 2,750,000 for target (ii) above.

DISBURSEMENT-LINKED RESULTS						
DISBURSEMENT-LINKED INDICATORS	RESULTS TO BE ACHIEVED IN FY2014/15 (YEAR 0)	RESULTS TO BE ACHIEVED IN FY2015/16 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2016/17 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 5)
4. Accountability and Monitoring System: Ensuring Teachers' management and performance is effectively monitored and evaluated.		DR&T and SCERT have: (i) developed teacher performance indicators (benchmarks); and (ii) carried out a baseline survey thereof, on the basis of terms of reference agreed with the Association.	(i) DR&T has publicly disclosed in its website the revised and updated TEMIS teacher training database; and (ii) SCERT has updated the D.El.Ed. teacher training curricula (content and pedagogy) taking into consideration the results of the teachers performance benchmarks surveyed in Year 1.	DR&T has updated and upgraded the TEMIS database in at least 20 Districts.	DoE has approved a policy framework providing incentives to better performing teachers and teacher educators.	The average teacher performance score has improved by 10% from baseline survey of Year 1, as evidenced by end-line survey in Year 5.
Allocated Amounts		USD 2,000,000	USD 4,000,000 for target (i) above; and USD 2,000,000 for target (ii) above.	USD 8,000,000	USD 8,000,000	USD 12,000,000
5. Teachers Accountability: Teachers accountability at school level.			SCERT has completed the training of SMCs (including training on a newly-developed module on teacher accountability) in at least 10% of elementary schools.	BEOs' and BRCCs' visits reports are available for at least 50% of elementary schools.		(i) Teachers' attendance in primary school has improved by 3% in Year 5 compared with baseline; and (ii) Teachers' attendance in upper primary school has

DISBURSEMENT-LINKED RESULTS						
DISBURSEMENT-LINKED INDICATORS	RESULTS TO BE ACHIEVED IN FY2014/15 (YEAR 0)	RESULTS TO BE ACHIEVED IN FY2015/16 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2016/17 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 5)
<i>Allocated Amounts</i>			USD 12,000,000	USD 12,000,000		improved by 3% in Year 5 compared with baseline USD 20,000,000
6. <i>Strengthened Corporate Governance: Program Fiduciary Systems & Performance</i>		BSEIDC has adopted a framework for strengthening its corporate governance including disclosure practices and a grievance redress mechanism for the handling of procurement complaints.	(i) BSEIDC has publicly disclosed in its website all contracts awarded under the Program. (ii) BSEIDC has publicly disclosed in its website monthly physical and financial progress reports for at least 80% of the contracts disclosed; and (iii) The Program's expenditures for FY2016/17, as recorded by DR&T and computerized in CTMIS have been reconciled with AG (A&E) with respect to the budget heads for the Program.	(i) BSEIDC has implemented an enterprise resource planning system with modules for procurement, contract and financial management activities under the Program (ii) The Program's expenditures for FY2017/18, as recorded by DR&T and computerized in CTMIS have been reconciled with AG (A&E) with respect to the budget heads for the Program.	(i) BSEIDC has satisfactorily handled, as per approved framework, at least 80% of the grievance complaints received since the approval of the corporate governance framework; and (ii) The Program's expenditures for FY2018/19, as recorded by DR&T and computerized in CTMIS have been reconciled with AG (A&E) with respect to the budget heads for the Program.	BSEIDC has publicly disclosed in its website monthly physical and financial progress reports for all the contracts disclosed under the Program.
<i>Allocated</i>		USD 2,000,000	USD 2,000,000 for target	USD 4,000,000 for target	USD 2,000,000 for target	USD 2,000,000

DISBURSEMENT-LINKED RESULTS						
DISBURSEMENT-LINKED INDICATORS	RESULTS TO BE ACHIEVED IN FY2014/15 (YEAR 0)	RESULTS TO BE ACHIEVED IN FY2015/16 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2016/17 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 5)
<i>Amounts</i>			(i) above; USD 2,000,000 for target (ii) above; and USD 2,000,000 for target (iii) above.	(i) above; and USD 2,000,000 for target (ii) above.	(i) above; and USD 2,000,000 for target (ii) above	

SCHEDULE 4

Repayment Schedule

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each May 15 and November 15 Commencing on November 15, 2020 to and including May 15, 2040	2.5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid.

APPENDIX**Section I. Definitions**

1. "AG (A&E)" means the Office of the Implementing Entity's Accountant General (Accounts & Entitlements) or any successor thereto.
2. "Allocated Amounts" means the amount in United States Dollars allocated to each individual DLR, or determined for each DLR pursuant to the formula detailed, in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time as the case may be, in accordance with the provisions of Section V.B.3 of Schedule 2 to this Agreement.
3. "Association's Safeguards Policies" means the Association's operational policies and procedures set forth in the Association's Operational Manual under OP/BPs 4.01, 4.02, 4.03, 4.04, 4.07, 4.09, 4.10, 4.11, 4.12, 4.20, 4.36, 4.37, and 7.50, or any successor thereof, as said manual is published under www.WorldBank.org/opmanual.
4. "BEOs" means the Implementing Entity's Block Education Officers.
5. "Bihar" means the Implementing Entity; i.e. the Recipient's State of Bihar.
6. "BRCCs" means the Implementing Entity's Block Resource Centers' Coordinators.
7. "BRCs" means, collectively, the Implementing Entity's Block Resource Centers, established pursuant to Sarva Shiksha Abhiyan Implementation Framework based on Right of Children to Free and Compulsory Education Act 2011, and operating under the aegis of SCERT.
8. "BSEIDC" means Bihar State Education Infrastructure Development Corporation, wholly-owned government corporation, established and operating under the laws of the Recipient and the Implementing Entity, pursuant to the BSEIDC' Legal Framework.
9. "BSEIDC's Legal Framework" means BSEIDC's: (i) Articles of Agreement and/or by-laws; and (ii) its registration under Section 617 of the Recipient Companies Act 1956 pursuant to.
10. "Category" means a category set forth in the table in Section V.A.2 of Schedule 2 to this Agreement.

11. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
12. "CRCCs" means the Implementing Entity's Cluster Resource Centers Coordinators.
13. "CRCs" means, collectively, the Implementing Entity's Cluster Resource Centers, established pursuant to Sarva Shiksha Abhiyan Implementation Framework based on Right of Children to Free and Compulsory Education Act 2011, and operating under the aegis of DoE.
14. "Credit Currency" means the currency in which the Credit is denominated.
15. "CTEs" means, collectively, the Implementing Entity's Colleges of Teacher Education, established pursuant to the National Policy on Education 1986, and operating under the aegis of SCERT.
16. "CTMIS" means the Implementing Entity's computerized treasury management and information system.
17. "DIETs" means, collectively, the Implementing Entity's District Institutes of Education and Training, established pursuant to National Policy on Education 1986, and operating under the aegis of SCERT.
18. "Diploma of Elementary Education" and the acronym "D.El.Ed." mean the training/certification course offered to elementary teachers by SCERT in order to improve their academic and pedagogical skills in classrooms.
19. "Disbursement Linked Indicator" or "DLI" means disbursement-linked indicators set forth in the first column of the matrix set forth in Schedule 3 to this Agreement.
20. "Disbursement Linked Result" or "DLR" means each of the disbursement-linked targets/results set forth in Schedule 3 to this Agreement in the columns entitled "Results to be Achieved in FY2014/15 (Year 0)", "Results to be Achieved in FY2015/16 (Year 1)", "Results to be Achieved in FY2016/17 (Year 2)", Results to be Achieved in FY2017/18 (Year 3)", "Results to be Achieved in FY2018/19 (Year 4)" or "Results to be Achieved in FY2019/20 (Year 5)", as applicable.
21. "Districts" means, collectively, the administrative sub-divisions of the Implementing Entity.
22. "DoE" means Bihar's Department of Education, or any successor thereto.

23. "DR&T" means the Implementing Entity's Directorate of Research and Training.
24. "ESSA" means the Environmental and Social Systems Assessment dated October 28, 2014, and applicable to the Program setting forth the description of the Program's activities, assessing Bihar's environmental and social management systems, detailing the Program's environmental and social benefits, risks and impacts, and recommending remedial measures to strengthen the social and environmental systems performance.
25. "Financial Center" means the principal financial center for the United States Dollars.
26. "Fiscal Year" or "FY" means the Recipient's and the Project Implementing Entity's fiscal year which begins on April 1 of each calendar year and ends on March 31 of the next calendar year.
27. "Fixed Spread" means the Association's fixed spread for the Credit Currency in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of this Agreement and expressed as a percentage per annum.
28. "General Conditions" means:
 - (a) for purposes of implementation of the Program and the financing of the Program Expenditures: the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Sections II, and III of this Appendix; and
 - (b) for purpose of implementation of the Project, and the financing of the Project's Eligible Expenditures: 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.
29. "ICT" means information and communication technologies.
30. "Implementing Entity" means the Recipient's State of Bihar.
31. "Implementing Entity Agreement" means the agreement between the Association and Implementing Entity relating to the implementation of the Operation, as such agreement may be amended from time to time with the prior written concurrence of the Association. The "Implementing Entity Agreement" includes the General Conditions as applied to the Implementing Entity Agreement, and all appendices, schedules and agreements supplemental to the Implementing Entity Agreement.
32. "Incremental Operating Costs" means the incremental expenditures for salaries of contractual staff (other than consultants); per diems; office rental; office

supplies; utilities; conveyance; travel and boarding/lodging allowances; operation and maintenance of office equipment and vehicles; advertising expenses and bank charges; insurance; media broadcastings; newspaper subscriptions; periodicals; printing and stationery costs; all in connection with the management, coordination and implementation of Project activities, which expenditures would not have been incurred absent the Project, but excluding salaries and salary top-ups of the Implementing Entity's civil servants.

33. "Interest Period" means the initial period from and including the date of this Agreement to but excluding the first Payment Date occurring thereafter, and after the initial period, each period from and including a Payment Date to but excluding the next following Payment Date.
34. "LIBOR" means for any Interest Period, the London interbank offered rate for deposits in the relevant Credit Currency for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page as of 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period.
35. "Management Unit" and the acronym "MU" mean the unit established within DR&T, and referred to Section I.A.(a) of the Schedule to the Implementing Entity Agreement.
36. "NCTE" means the National Council for Teacher Education, a statutory body of the Recipient established pursuant to the National Council for Teacher Education Act, 1993 (No. 73 of 1993).
37. "Operation" means, collectively, all activities described under the Program and the Project of Schedule I to this Agreement.
38. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 1, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
39. "Program" means, collectively, the activities described in Part I of the Schedule I to this Agreement.
40. "Program Action Plan" means the set of priority actions agreed by the Association and the Implementing Entity for the strengthening of the Implementing Entity's sectoral and institutional frameworks, including the Operation Fiduciary and Environmental and Social Systems, and referred to in Section I.B of the Schedule to the Implementing Entity Agreement, as the same may be amended from time to time with the prior written concurrence of the Association.

41. "Program Fiduciary, Environmental and Social Systems" means the Recipient's and the Implementing Entity's systems for the Operation referred to in Section I.D of Schedule 2 to this Agreement.
42. "Project" means, collectively, the activities described in Part II of the Schedule 1 to this Agreement.
43. "PSC" means the Implementing Entity's Public Service Commission.
44. "PTECs" means, collectively, the Implementing Entity's Primary Teacher Education Centers, established pursuant to National Policy on Education 1986, and operating under the aegis of SCERT.
45. "Reference Rate" means, for any Interest Period:
 - (a) LIBOR. If such rate does not appear on the Relevant Rate Page, the Association shall request the principal London office of each of four major banks to provide a quotation of the rate at which it offers six-month deposits in Dollar to leading banks in the London interbank market at approximately 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period. If at least two such quotations are provided, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the quotations. If less than two quotations are provided as requested, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the rates quoted by four major banks selected by the Association in the relevant Financial Center at approximately 11:00 a.m. in the Financial Center on the Reference Rate Reset Date for the Interest Period for loans in Dollar to leading banks for six months. If less than two of the banks so selected are quoting such rates, the Reference Rate for Dollar for the Interest Period shall be equal to the Reference Rate in effect for the Interest Period immediately preceding it; and
 - (b) if the Association determines that LIBOR has permanently ceased to be quoted for United States dollars, such other comparable reference rate for the relevant currency as the Association shall reasonably determine.
46. "Reference Rate Reset Date" means the day two London Banking Days prior to the first day of the relevant Interest Period (or in the case of the initial Interest Period, the day two London Banking Days prior to the first or fifteenth day of the month in which this Agreement is signed, whichever day immediately precedes the date of this Agreement; provided that if the date of this Agreement falls on the first or fifteenth day of such month, the Reference Rate Reset Date shall be the day two London Banking Days prior to the date of this Agreement).

47. "Relevant Rate Page" means the display page designated by an established financial market data provider selected by the Association as the page for the purpose of displaying the Reference Rate for deposits in the Credit Currency.
48. "SCERT" means the Implementing Entity's State Council of Education and Research Training, established pursuant to National Policy on Education 1986.
49. "SMCs" means, collectively, the School Management Committees, established to assist with the day-to-day administration of the Implementing Entity's schools, pursuant to Bihar's Right to Free and Compulsory Education Rules of 2011.
50. "TDF" means the Tribal Development Framework, the Implementing Entity's framework dated October 30, 2014, which sets forth, inter alia: the protocols for screening the Project activities and identifying, assessing and mitigating any potential Project-related social impact on Tribal Groups, as well as the monitoring and reporting requirements in relation thereto; as such framework may be amended from time to time with the prior written concurrence of the Association.
51. "TE Institutions" means, collectively, the BRCs, CRCs, CTEs, DIETs, PTECs and SCRET.
52. "TEIDI" means SCERT's Teacher Education Institution Development Index to be developed pursuant to Results Area 3.3 in Part I of the Operation and DLI #2 of the Program.
53. "TEMIS" means the DoE's Teacher Management Information System.
54. "Training and Workshops" means the training, study tours, conferences and workshops conducted and/or attended by staff from the DoE, BSEIDC, SCERT and DR&T, the TE Institutions and/or other stakeholders in the territory of the Recipient or, subject to the Associations' prior no objection, overseas, including the purchase and publication of materials, rental of facilities, course fees, and lodging, travel expenses and per diems for trainers and/or trainees.
55. "Tribal Groups" means any distinct, vulnerable, social and cultural group within the territory of the Implementing Entity, that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; and (iv) has an indigenous language, often different from the official language of the Recipient or the Implementing Entity.

56. "Year" means any of the Years 0 through 5 of Program implementation, and the context shall determine.
57. "Year 0" means the first year of implementation of Program activities, which have taken place in Fiscal Year 2014/15 in order to achieve the results shown in the second column of the table in Schedule 3 to this Agreement.
58. "Year 1" means the second year of implementation of Program activities, expected to take place in Fiscal Year 2015/16 in order to achieve the results shown in the third column of the table in Schedule 3 to this Agreement.
59. "Year 2" means the third year of implementation of Program activities, expected to take place in Fiscal Year 2016/17 in order to achieve the results shown in the fourth column of the table in Schedule 3 to this Agreement.
60. "Year 3" means the fourth year of implementation of Program activities, expected to take place in Fiscal Year 2017/18 in order to achieve the results shown in the fifth column of the table in Schedule 3 to this Agreement.
61. "Year 4" means the fifth year of implementation of Program activities, expected to take place in Fiscal Year 2018/19 in order to achieve the results shown in the sixth column of the table in Schedule 3 to this Agreement.
62. "Year 5" means the sixth year of implementation of Program activities, expected to take place in Fiscal Year 2019/20 in order to achieve the results shown in the seventh column of the table in Schedule 3 to this Agreement.

Section II. Modifications to the General Conditions for Purposes of Project and the Program Implementation

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions:
 - (a) the term "Project Agreement" is modified to read "Implementation Entity Agreement";
 - (b) the term "Project Implementing Entity" is modified to read "Implementing Entity";
 - (c) the term "Project Implementing Entity's Address" is modified to read "Implementing Entity's Address";
 - (d) the term "Project Implementing Entity's Representative" is modified to read "Implementing Entity's Representative"; and

(c) the term "Project Report" is modified to read "Progress Report."

2. The last sentence of Section 3.01(b) is modified to read as follows:

"The Commitment Charge shall be computed using a day-count convention reasonably determined by the Association".

3. Section 3.02 is modified to read as follows:

"Section 3.02. *Interest Charge*

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 Charges shall be computed using a day-count conversion reasonably determined by the Association."

4. In Section 3.03, paragraph (b) is deleted in its entirety and the resulting paragraph (a) is modified to read as follows:

"Section 3.03. *Repayment of the Credit*

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement."

5. Section 3.04 is modified to read as follows:

"Section 3.04. *Prepayment*

- (a) After giving not less than forty-five days' notice to the Association, the Recipient may repay the Association in advance of maturity, as of a date acceptable to the Association, all or any part of the principal amount of one or more maturities of the Credit specified by the Recipient, provided the Recipient has made payments due on the Credit as at such date, including any prepayment premium calculated pursuant to paragraph (b) of this Section.
- (b) The prepayment premium payable under paragraph (a) of this Section shall be an amount reasonably determined by the Association to represent any gains or losses to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit."

6. A new Section 3.11 is added to read as follows:

"Section 3.11. Cancellation Premia on Payment Failure. Cancellation, Suspension, Acceleration or Refund of the Credit

The Recipient shall pay to, or be entitled to receive from, the Association a cancellation premium that the Association shall reasonably determine represents any losses or gains to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit as a result of: (i) the Recipient's failure to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association under this Agreement; (ii) any cancellation, suspension or acceleration of the Credit under Article VI of these General Conditions; or (iii) any refund of the Credit. The Recipient shall pay any cancellation premium due to the Association not later than sixty days after notice shall have been given by the Association."

7. Paragraph 28 of the Appendix ("Financing Payment") is modified by substituting the words "the Service Charge" with the words "the Interest Charge".
8. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:
- "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02."
9. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by substituting the words "Service Charges" with the words "Interest Charges".
10. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is deleted in its entirety.

Section III. Modifications to the General Conditions and Section II above for Purposes of Program Implementation.

The General Conditions, as amended pursuant to Section II above, are hereby further modified for purposes of Program implementation to read as follows:

1. Wherever used throughout the General Conditions:
- (a) the term "Project" is modified to read "Program"; and

- (b) the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
 3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
 4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Association to enter into a Special Commitment" is deleted.
 5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
 6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;"
 7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association."
 8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
 9. Section 6.01, *Cancellation by the Recipient*, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."

10. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.
11. Section 6.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.
12. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term "Special Commitment" set forth in paragraph 51 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.