

CONFORMED COPY

CREDIT NUMBER 2942 IN

Development Credit Agreement

(Rural Women's Development and Empowerment Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 14, 1998

CREDIT NUMBER 2942 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 14, 1998, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the International Fund for Agricultural Development (IFAD) has agreed to make a loan (the IFAD Loan) to the Borrower in an amount in various currencies equivalent to thirteen million three hundred thousand Special Drawing Rights (SDR 13,300,000) to assist in financing the Project on the terms and conditions set forth in an agreement dated March 27, 1997 between the Borrower and IFAD (the IFAD Loan Agreement);

(C) the Project will be carried out by the Borrower and the States of Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh and Uttar Pradesh (the Project States) with the assistance of Women's Development Corporations and the assistance of the Borrower and, as part of such assistance, the Borrower will make available to the Project States the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing,

to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and the Project States;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Bihar" means the Borrower's state of Bihar, or any successor thereto;
- (b) "Gujarat" means the Borrower's state of Gujarat, or any successor thereto;
- (c) "Haryana" means the Borrower's state of Haryana, or any successor thereto;
- (d) "Karnataka" means the Borrower's state of Karnataka, or any successor

thereto;

(e) "Madhya Pradesh" means the Borrower's state of Madhya Pradesh, or any successor thereto;

(f) "NGO" means a non-governmental organization established and operating in the territory of the Borrower;

(g) "Project Agreement" means the agreement of even date herewith between the Association of the one part and the Project States (as hereinafter defined) of the other part, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated August 20, 1996, and September 12, 1996, between the Borrower and the Association;

(i) "Project States" means Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh and Uttar Pradesh and "Project State" means each such State;

(j) "SHG" means a women's self-help group, which is established and managed through a participatory approach, to, inter alia, raise awareness, build confidence, and promote economic empowerment and self-reliance;

(k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(l) "State" means state of the Borrower;

(m) "Uttar Pradesh" means the Borrower's state of Uttar Pradesh, or any successor thereto; and

(n) "WDC" means a Women's Development Corporation that is registered under the Indian Companies Act of 1956, with the exception of the Women's Development Corporations in Bihar and Madhya Pradesh, which are registered under the Societies Registration Act of Bihar and the Non-Trading Corporations Rules and Act of Madhya Pradesh respectively.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2003, or such later date as

the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2007, and ending February 1, 2032. Each installment to and including the installment payable on February 1, 2017, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified

for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall, within the territory of the Project States: (i) cause the Project States to perform in accordance with the provisions of the Project Agreement all the respective obligations of the Project States set forth therein, take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project States to perform such obligations, and not take or permit to be taken any action which would prevent or interfere with such performance; and (ii) carry out or cause to be carried out in the Project States Parts A, B and D of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make part of the proceeds of the Credit available on a grant basis to WDCs under a memorandum of understanding, to be entered into between the Borrower and each WDC, satisfactory to the Association.

(c) Without prejudice to any other provision of this Agreement, the Borrower shall ensure that the WDCs receive Project funds out of the Borrower's resources on a quarterly basis and in a timely manner for anticipated expenditures under their approved annual action plans, referred to in paragraph 1 (c) of Schedule 2 to the Project Agreement.

(d) The Borrower shall, within the territory of the Project States, cause the Project to be carried out, and shall carry out Parts A, B and D of the Project, in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out jointly and severally by the Project States and their respective WDCs pursuant to Section 2.03 of the Project Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as

the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit report of such audit referred to in paragraph (b) of this Section and that the as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) any Project State shall have failed to perform any of its respective obligations under the Project Agreement;

(b) 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 a Project State will perform its obligations under the Project Agreement;

(c) (i) subject to subparagraph (ii) to this paragraph: (A) the right of the Borrower to withdraw the proceeds of the IFAD Loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the IFAD Loan Agreement; or (B) the IFAD Loan shall have become due and payable prior to the agreed maturity thereof; and

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the concerned Project State; and

(b) the event specified in paragraph (c) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Project Agreement has been duly authorized or ratified by each Project State respectively and is legally binding upon each of them in accordance with its terms;

(b) all conditions precedent to the effectiveness of the IFAD Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(c) a contract, satisfactory to the Association, has been signed between the Borrower and a lead organization for the development of a Project monitoring and evaluation system; and

(d) each Project State WDC shall have employed a Project Director, Finance Officer and Training Coordinator at the state level and the respective Project State WDC shall have employed a District Manager in each of the districts of Panchmahals and Sabarkantha in Gujarat, district of Sonapat in Haryana, districts of Kolar and Chitradurga in Karnataka, districts of Hoshangabad and Dewas in Madhya Pradesh and district of Sitapur in Uttar Pradesh.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by the Project States, and is legally binding upon the Project States in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of India  
Ministry of Finance  
Department of Economic Affairs  
New Delhi, India

Cable address:

ECOFAIRS  
New Delhi

Telex:

953-3166175

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INDIA

By /s/ V. Govindarajan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	1,700,000	90%
(2) Goods (including equipment, furniture, vehicles, and materials)	1,900,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost)
and		80% of local expen- ditures for other items procured locally
(3) Consultant services, NGO services, training, workshops and study tours	7,500,000	100%
(4) Incremental costs	1,500,000	90% through September 30, 2000; 70% through



September 30, 2001; and  
40% thereafter

(5)	Refunding of Project Preparation Advance	200,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6)	Unallocated	700,000	
	TOTAL	13,500,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental costs" means the cost of additional staff employed for the purposes of the Project after September 30, 1997, and the cost of operation and maintenance of additional vehicles and equipment procured under the Project after September 30, 1997.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 700,000, may be made in respect of Categories (2), (3) and (4) on account of payments made for expenditures before that date but after September 30, 1997.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods and works under contracts not exceeding \$100,000 equivalent;

(b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants; and

(c) incremental costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Project States in: (a) establishing self-reliant women's SHGs which enable women to gain empowerment and improvement of the quality of their lives through greater access to and control over resources; (b) sensitizing and strengthening the institutional capacity of support agencies (which include the government, NGOs and banks) to proactively address women's needs; (c) increasing income controlled by poor women through involvement of women in income generating activities; (d) developing linkages between SHGs and lending institutions to ensure women's continued access to credit for income generating activities; and (e) enhancing women's access to resources for better health and education and drudgery reduction.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Establishment of Self-Reliant Women's Groups

1. Formation and Strengthening of SHG

(a) Promotion and establishment of new and self-reliant SHGs with the assistance of experienced NGOs and through the replication of mature SHGs.

(b) Build up the capacity of new and existing SHGs by training members and representatives in group dynamics, group management, participatory skills, leadership skills and awareness raising.

## 2. Strengthening of Participating Agencies to Support Women's Development

(a) Strengthen the institutional capacity and sensitivity to gender issues of: (i) WDCs by modifying their organizational structures to streamline operational and management systems and providing professional staff and appropriate training; (ii) NGOs by providing training to support project activities, including the enhancement of NGO business development and promotion skills; and (iii) line agencies by providing training in the SHG concept, participatory management and communications skills.

(b) Strengthen the institutional capacity and sensitivity to gender issues of financial institutions by providing training in the SHG concept, responsiveness to credit needs, participatory management and communication skills.

## Part B: Establishment of Support Mechanisms for Women-Managed Income Generating Activities

### 1. Mobilization of Investment Funds for Income Generating Activities

(a) Development of SHGs' expertise in credit management by: (i) organizing meetings to promote the generation of funds from SHG members' savings; (ii) providing small loans to SHG members; and (iii) training SHGs in credit management and accounts to enable them to establish their own credit rating.

(b) Build up linkages between SHGs and financial institutions to assess lines of credit for SHGs.

### 2. Provision of Business Management and Technical Support Services to SHG Members

(a) Improve on-farm activities undertaken by SHGs by facilitating: (i) access to technology to improve crop and animal productivity; (ii) diversification into higher financial return activities, such as cultivation of herbs, spices, fruits, flowers and vegetables; and (iii) access to market processes, such as storage, grading and packing.

(b) Enhance non-farm activities undertaken by SHGs, which are related to production, trading and service, by: (i) conducting market studies and techno-economic surveys at the village level; (ii) upgrading designs and production skills; (iii) standardizing production techniques; (iv) improving quality control; and (v) promoting market linkages.

## Part C: Establishment of Mechanisms to Access Social Programs and Leverage Funds for Community Assets Creation

### 1. Access to Social Programs

(a) Enhance access to social programs by training SHG members to: (i) disseminate information on health-related issues; (ii) promote preventive health care; (iii) assist SHG members to access formal health systems; and (iv) provide basic health care.

(b) Increase the availability of child care services by promoting the expansion of existing child care programs and providing initial financial assistance for established SHGs to provide child care services.

### 2. Assistance to Leverage Funds for Community Asset Creation

Support the creation of community assets, such as drinking water and sanitation facilities and multipurpose halls, by SHGs and the community through the provision of

partial funding for such asset creation and facilitation of resource leveraging from other development schemes.

Part D: Establishment of Effective Project Management System

1. Enhancement of Project Management and Support

Enhance Project management by: (i) developing a comprehensive Monitoring and Evaluation System; and (ii) strengthening the capacity to support the Project through, inter alia, the establishment of a Central Project Support Unit ("CPSU"), which shall be organized under the Borrower's Department of Women and Child Development, Ministry of Human Resource Development and the provision of support for WDCs' staffing, equipment and operational needs.

2. Establishment of Monitoring and Evaluation Systems

Establish monitoring and evaluation systems, including a computerized project management system, a management information system and a concurrent monitoring and evaluation process, to assess Project implementation, performance and sustainability on an on-going basis and assimilate the lessons learnt for future Project implementation.

\* \* \*

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Implementation Program

1. The Borrower shall by June 30, 1999, cause the Department of Women and Child Development ("DWCD") in the Borrower's Ministry of Human Resource Development to: (a) establish an advisory panel that includes NGOs nationwide with experience in the formation of SHG clusters and associations of SHG clusters; and (b) organize a workshop for the advisory panel to assist NGOs in devising an overall strategy for the formation of SHG clusters and associations of such clusters prior to launching a program for such cluster and cluster association formation.

2. The Borrower shall by December 31, 1999, cause DWCD to: (a) appoint an independent and suitably qualified agency to assess NGOs' performance and participatory management processes under the Project and make recommendations thereon; and (b) prepare an action plan, satisfactory to the Association, to implement such recommendations.

3. The Borrower shall cause DWCD by June 30, 2000, to: (a) organize a management review of WDCs to assess the long-term role of the WDCs in assisting women's development programs and recommend appropriate adjustments in WDCs' roles, operational structures and management systems; and (b) prepare an action plan, satisfactory to the Association, to implement such recommendations.

4. The Borrower shall by January 31 each year, starting in 1999, cause DWCD to provide to the Association for review and comments, a copy of CPSU's annual action and procurement plans for the Borrower's following fiscal year and, thereafter, take into account the Association's recommendations and views in finalizing the plans.

5. The Borrower shall:

(a) maintain appropriate policies and procedures to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the implementation of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association: (i) every three months beginning on or about December 31, 1998, a report, which integrates the results of CPSU's monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the implementation of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying

out of the Project and the achievement of the objectives thereof during the period following such date; and (ii) every twelve months beginning on or about December 31, 1999, a report, which integrates and consolidates the results of CPSU's and WDCs' monitoring and evaluation activities, on the progress achieved in the implementation of the Project during the twelve-month period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31, 2001, or such later date as the Association shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. (a) Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$300,000 shall be made exclusively out of the Special Account. The Association may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the

respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.



