Development Credit Agreement

(Reproductive and Child Health Project – Supplemental Financing)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 26, 2003
AGREEMENT, dated March 26, 2003, between INDIA, acting by its President, (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association, as Administrator of the Interim Trust Fund Established with Funds Contributed by Certain Members of the International Development Association Pursuant to Resolution No. IDA 184 of the Board of Governors of the International Development Association (in such capacity, the Administrator), have entered into an Interim Fund Development Credit Agreement dated July 30, 1997, as amended by subsequent amendments including the Letter Amendment (as hereinafter defined), (the Interim Fund Development Credit Agreement) for the purpose of assisting in the financing of the project described in Schedule 2 to the Interim Fund Development Credit Agreement (the Project);

(B) pursuant to certain undertakings, the Project States (as defined in the Interim Fund Development Credit Agreement) have accepted certain obligations for carrying out activities under the Project except for activities under Part Z of the Project (as described in Schedule 2 to the Interim Fund Development Credit Agreement);

(C) by an amendment dated March 30, 2001 (the Letter Amendment), the Borrower and the Administrator agreed to amend the Interim Fund Development Credit Agreement in order, among other things, to include a new Part Z to the project description and to reallocate funds to assist in financing emergency earthquake reconstruction activities in the State of Gujarat (Gujarat) under Part Z of the Project;

(D) upon the Borrower’s request and by an amendment dated April 24, 2002, between the Administrator and the Borrower, certain revisions were made to the reallocation referred to in clause (C), above, in order to continue carrying out Project components and activities unrelated to Part Z; and

(E) the Borrower has also requested the Association to provide assistance in an amount in various currencies equivalent to ten million Special Drawing Rights (SDR 10,000,000) (the Credit) as additional financial support for carrying out Project components and activities unrelated to Part Z; and

WHEREAS the Association has agreed on the basis, among other things, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Development Credit Agreement;

NOW, THEREFORE, the parties hereto, hereby, agree as follows:
ARTICLE I

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Development Credit Agreement.

Section 1.02. (a) Unless the context otherwise requires, the terms defined in the Preamble and in Sections 1.02 (a), (b), (c), (d) and (f) of the Interim Fund Development Credit Agreement, the Preamble to this Development Credit Agreement and in the General Conditions (as defined in Section 1.01, above) used in this Development Credit Agreement shall have the meanings set forth in the Interim Fund Development Credit Agreement, and the following additional term has the following meaning:

(b) “Special Account” means the account referred to in Section 2.02 (b) of this Development Credit Agreement.

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 ten million Special Drawing Rights (SDR 10,000,000).

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 Development Credit Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project (excluding any activities under Part Z) and to be financed out of the proceeds of the Credit.

(b) In accordance with any special instructions or arrangements made by the Association, the Borrower may, for the purposes of the Project (excluding any activities under Part Z), open and maintain 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 2 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2004, 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 (60) after the date of this Development Credit 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 Development Credit 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 May 1 and November 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 May 1 and November 1, commencing November 1, 2007 and ending May 1, 2032. Each installment to and including the installment payable on May 1, 2017, shall be one and one-fourth percent (1¼%) of such principal amount, and each installment thereafter shall be two and one-half percent (2½%) 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 (excluding activities under Part Z)

Section 3.01. (a) Subject to paragraph (b), below, of this Section 3.01, Sections 3.01, 3.02, 3.03, 4.01 and 6.02 of the Interim Fund Development Credit Agreement and Schedules 1, (except the table in paragraph 1 thereof), 2, 3 (except Section III thereof relating to eligibility restrictions) and 4 are incorporated in this Agreement, with the following modifications in these sections and schedules, unless the context otherwise requires:

(i) the term “Administrator” shall be read as “Association”;

(ii) the term “Interim Fund Credit” and “Interim Fund Credit Account” shall be read as “Credit” and “Credit Account”;

(iii) the term “Project” shall be read to exclude Part Z of the Project;

(iv) the term “Special Account” shall be read to include the Special Account to be opened and operated under Section 2.02 (b) of the Interim Fund Development Credit Agreement in addition to the Special Account opened and operated under Section 2.02 (b) of the Interim Fund Development Credit Agreement; and

(v) the term “this Agreement” or “the Interim Fund Development Credit Agreement” shall be read as “the Development Credit Agreement”.
(b) So long as any part of the Interim Fund Credit provided for under the Interim Fund Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Association:

(i) all actions taken or to be taken, including approvals given or to be given or decisions made or to be made, by the Administrator or its representatives pursuant to any sections of, or schedules to, the Interim Fund Development Credit Agreement, which have been incorporated in this Development Credit Agreement in accordance with paragraph (a) of this Section 3.01, as well as any actions taken or to be taken pursuant to Sections 5.01, and 5.02 of the Interim Fund Development Credit Agreement, shall, as the context may require, when taken or given by the Administrator or its representatives, be deemed to have been taken or given by, and on behalf of, both the Administrator or its representatives under the Interim Fund Development Credit Agreement and the Association or its representatives under this Development Credit Agreement;

(ii) all actions taken, or to be taken, by the Borrower as well as any obligations assumed, performed or fulfilled, or to be assumed, performed or fulfilled by the Borrower pursuant to any sections of, or schedules to, the Interim Fund Development Credit Agreement, which have been incorporated in this Development Credit Agreement in accordance with paragraph (a) of this Section 3.01, as well as any actions taken, or to be taken, or obligations performed, or to be performed, pursuant to Sections 5.01 and 5.02 of the Interim Fund Development Credit Agreement, shall, as the context may require, when taken by the Borrower, be deemed to have been taken under this Development Credit Agreement and the Interim Fund Development Credit Agreement;

(iii) all information, notices or documentation furnished, or to be furnished, by the Borrower to the Administrator pursuant to any sections of, or schedules to, the Interim Fund Development Credit Agreement, which have been incorporated in this Development Credit Agreement in accordance with paragraph (a) of this Section 3.01, as well as any information, notices or documentation furnished or to be furnished pursuant to Sections 5.01 and 5.02 of the Interim Fund Development Credit Agreement, shall, as the context may require, when furnished by the Borrower to the Administrator, be deemed to have been jointly furnished to the Administrator under the Interim Fund Development Credit Agreement and the Association under this Development Credit Agreement; and

(iv) all matters or instances in respect of which the Borrower has consulted or is required to consult the Administrator under any
sections of, or schedules to, the Interim Fund Development Credit Agreement, which have been incorporated in this Development Credit Agreement in accordance with paragraph (a) of this Section 3.01, as well as any matters or issues in respect of which the Borrower has consulted or is required to consult the Administrator pursuant to Sections 5.01 and 5.02 of the Interim Fund Development Credit Agreement, shall, as the context may require, when such consultation takes place between the Borrower and the Administrator, be deemed to have involved a consultation between the Borrower and the Administrator under the Interim Fund Development Credit Agreement and the Association under this Development Credit Agreement.

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified, namely, the events set out in Section 5.01 of the Interim Fund Development Credit Agreement, provided, however, for the purposes of this agreement, the term “Administrator” wherever it appears in such Section 5.01 shall be read as “Association”.

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely the event set out in Section 5.02 of the Interim Fund Development Credit Agreement, provided, however, for the purposes of this agreement, the term “Administrator” wherever it appears in Section 5.02 shall be read as “Association”.

ARTICLE V

Effective Date; Termination

Section 5.01. The date ninety (90) days after the date of this Development Credit Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.02. If this Development Credit Agreement shall terminate under the provisions of Section 5.01, above, and Section 12.04 of the General Conditions, the Interim Fund Development Credit Agreement, the undertakings by the Project States, and all agreements supplemental thereto, shall continue in full force and effect, as if this Development Credit Agreement had not been executed.

Section 5.03. Upon this Development Credit Agreement coming into force and effect under the terms of Section 5.01, above, the provisions of the Interim Fund Development Credit Agreement, the undertakings by the Project States, and all agreements supplemental thereto, shall remain in full force and effect.
ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Any Secretary, additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address: ECOFAIRS
Telex: 953-31-66175 FINE IN

New Delhi

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)

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

INDIA

By /s/ Adarsh Kishore
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Richard F. Carter
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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil Works</td>
<td>1,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Vehicles, furniture, equipment and other goods</td>
<td>500,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex- factory cost); and 80% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Drugs, including poliomyelitis vaccine for National Immunization Days</td>
<td>3,500,000</td>
<td>90%</td>
</tr>
<tr>
<td>(4) Consultants’ services, including IEC</td>
<td>1,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Training and workshops</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Surveys and studies</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Pilot Program for referral transport</td>
<td>250,000</td>
<td>90%</td>
</tr>
<tr>
<td>(8) Incremental salaries and operating expenses</td>
<td>500,000</td>
<td>25%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>10,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 2

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (8) 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 (excluding any activities under Part Z) 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 SDR 2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to SDR 1,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

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

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 the Interim Fund Development Credit Agreement (as incorporated in this Development Credit Agreement by Section 3.01 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 (except any activities under Part Z), 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.