

INTERIM FUND CREDIT NUMBER N042-IN

Interim Fund Development Credit Agreement

(Woman and Child Development Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association, as amended

Dated July 6, 1999

INTERIM FUND CREDIT NUMBER N042-IN

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 6, 1999, between INDIA, acting by its President (the Borrower), and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996, as amended.

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

(C) Parts A and B of the Project will be carried out by the States of Kerala, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh (the Project States) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the Project States part of the proceeds of the Interim Fund Credit as provided in this Agreement;

(D) Part C(4) of the Project will be carried out by the Borrower and certain States and Union Territories of the Borrower other than the Project States (the Part C(4) States) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the Part C(4) States part of the proceeds of the Interim Fund Credit as provided in this Agreement; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund 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 Administrator 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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement.

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively.

(c) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

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) "Anganwadi" means a village center for delivering the services of the ICDS Program (as hereinafter defined);

(b) "Central PMU" means the Project Management Unit of the Borrower's Department of Women and Child Development within the Ministry of Human Resource Development responsible for overall Project implementation, management, monitoring and evaluation;

(c) "Fiscal Year" and "FY" mean the fiscal year of the Borrower and each Project State (as hereinafter defined), which begins on April 1 of a calendar year and ends on March 31 of the following calendar year;

(d) "ICDS Program" means the Integrated Child Development Services Program, the Borrower's national program of child development;

(e) "Kerala" means the Borrower's State of Kerala, or any successor thereto;

(f) "Letter of Undertaking" means each Letter of Undertaking to be executed and furnished to the Borrower by each Part C(4) State (as hereinafter defined) pursuant to Section 3.01(c) of this Agreement;

(g) "Maharashtra" means the Borrower's State of Maharashtra, or any successor thereto;

(h) "Part C(4) State" means individually each State or Union Territory of the Borrower (other than the Project States), or any successor thereto, which participates in the carrying out of Part C(4) of the Project by executing and furnishing to the

Borrower a Letter of Undertaking, and "Part C(4) States" means collectively such States and Union Territories;

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

(j) "Project Implementation Plan" means each of the Project Implementation Plans of the Borrower and of the Project States for the carrying out of the Project, approved by the Administrator;

(k) "Project State" means each of Kerala, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh, individually and "Project States" means Kerala, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh, collectively;

(l) "Rajasthan" means the Borrower's State of Rajasthan, or any successor thereto;

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

(n) "State PMU" means the Project Management Unit of each Project State's Department of Women and Child Development or Department of Social Welfare, as applicable, responsible for overall Project implementation, management, monitoring and evaluation;

(o) "Tamil Nadu" means the Borrower's State of Tamil Nadu, or any successor thereto; and

(p) "Uttar Pradesh" means the Borrower's State of Uttar Pradesh, or any successor thereto.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to two hundred twenty-two million five hundred thousand Special Drawing Rights (SDR 222,500,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator 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 Interim Fund 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 Administrator. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2004 or such later date as the Administrator shall establish. The Administrator 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 Interim Fund 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 Interim Fund 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2008 and ending June 15, 2033. Each installment to and including the installment payable on June 15, 2018 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 Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Administrator 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 Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund 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 Administrator 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 Administrator 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, such revision shall not change the grant element obtained under the abovementioned 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 Administrator 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, shall carry out Part C of the Project with due diligence and efficiency and in conformity with

appropriate administrative, financial, maternal and child health and nutrition practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Administrator shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

(c) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall obtain from each Part C(4) State an executed Letter of Undertaking, substantially in the form set forth in Schedule 3 to this Agreement, and promptly upon its receipt forward a copy thereof to the Administrator, before such Part C(4) State participates in the carrying out of Part C(4) of the Project.

(d) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause the Part C(4) States to perform in accordance with the provisions of their respective Letters of Undertaking all the respective obligations of the Part C(4) States therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Part C(4) States to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(e) The Borrower shall make the proceeds of the Interim Fund Credit available to the Part C(4) States for such part of the Project as is carried out respectively by the Part C(4) States, in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

(f) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause the Project States to perform in accordance with the provisions of the Project Agreement all the respective obligations of the Project States therein set forth, shall take or 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 shall not take or permit to be taken any action which would prevent or interfere with such performance.

(g) The Borrower shall make the proceeds of the Interim Fund Credit available to the Project States for such part of the Project as is carried out respectively by the Project States, in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

Section 3.02. Except as the Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan designed to ensure the sustainability of the Project; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Administrator and the Borrower 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 Parts A and B of the Project shall be carried out by the Project States 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 Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such Fiscal Year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

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

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

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

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

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors 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 and the Administrator

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The Borrower shall have waived or failed to enforce any of the provisions of any Letter of Undertaking.

(b) Any Letter of Undertaking shall have been amended, suspended, abrogated or repealed so as to adversely affect the Project.

(c) Any Project State shall have failed to perform any of its obligations under the Project Agreement.

(d) As a result of events which have occurred after the date of this

Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Project State will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraphs (a), (b), and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Administrator to the Borrower.

ARTICLE VI

Effective Date; Termination; Designation of the Administrator

Section 6.01. 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 Administrator, namely, that the Project Agreement has been duly authorized or ratified by each Project State, and is legally binding upon each Project State in accordance with its terms.

Section 6.02. 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 6.03. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Association and the Administrator:

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

established

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the interim trust fund

with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association, as amended

By /s/ Edwin R. Lim

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	36,300,000	85%
(2) Furniture, equipment, toys, materials and vehicles expenditures (except vehicles for cost); and field staff under Part A(3) expendi- items of the Project)	19,300,000	100% of foreign expenditures; 100% of local (ex-factory) 80% of local tures for other procured locally
(3) Medicines and medical supplies expenditures and expendi-	34,100,000	100% of foreign expenditures; 100% of local (ex-factory cost); 80% of local tures for other

items			procured locally
(4)	Consultants and media services	11,900,000	100%
(5)	Training and workshops	73,400,000	80%
(6)	Incremental operating and maintenance costs	34,900,000	60% through January 31, 2001; 40% from February 1, 2001 through January 31, 2003; and 30% thereafter
(7)	Vehicles for field staff under Part A(3) of the Project	1,100,000	65%
(8)	Unallocated	11,500,000	
	TOTAL	222,500,000	=====

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 operating and maintenance costs" means: (i) salaries in respect of posts created for the Project after June 30, 1998; (ii) costs of operation and maintenance of additional vehicles, equipment and buildings incurred under the Project after June 30, 1998; and (iii) costs of in-service training for field staff incurred under the Project after June 30, 1998.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 7,500,000, may be made in respect of Categories (1), (2), (3), (4), (5) and (6) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 30, 1998; and

(b) expenditures incurred in or by any Part C(4) State unless such Part C(4) State has executed and furnished to the Borrower a Letter of Undertaking satisfactory to the Administrator.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$300,000 equivalent each; (b) goods (except vehicles) under contracts costing less than \$200,000 equivalent each; (c) vehicles under contracts costing less than \$100,000 equivalent each; (d) services under contracts costing less than \$100,000 equivalent each in the case of firms and \$50,000 equivalent each in the case of individuals; (e) local training and workshops; and (f) incremental operating and maintenance costs; all under such terms and conditions as the Administrator shall specify by notice to the Borrower.

Description of the Project

The objectives of the Project are:

1. To improve the nutrition and health status of women and pre-school-aged children by increasing the quality, impact and cost-effectiveness of the ICDS Program in the Project States, with specific goals of: (i) improving the nutrition, health and psycho-social status of children in the 0-6 years age group, with particular emphasis on preventing malnutrition among 0-3 year-olds; (ii) improving the nutrition and health of women, particularly pregnant and lactating women; (iii) improving child care practices to meet the nutritional, health and psycho-social needs of children; (iv) empowering adolescent girls, through increased awareness, to take better care of their own health and nutrition needs; and (v) strengthening the capacity at the central, state and block levels to provide high quality management support and training to staff.
2. To strengthen the ICDS Program in the Part C(4) States, inter alia, through improving the quality of worker training.

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

Part A: Service Delivery (1) Service Quality Improvement

Improving the quality of ICDS Program services with particular emphasis on:

- (a) the provision of supplementary feeding and nutritional supplements to children and pregnant and lactating women and the regular monitoring to detect malnutrition and promote growth;
- (b) immunization against six childhood diseases to reduce infant and child mortality and provision of appropriate and timely health care services to beneficiaries; and
- (c) promoting overall psycho-social development of children.

(2) Adolescent Girls' Empowerment

Empowerment of adolescent girls through adolescent girls' activities, including the provision of iron supplements and de-worming treatment.

(3) Staffing and Infrastructure Development

Strengthening service delivery through: (a) staffing activities; (b) construction of new facilities for Anganwadis and block offices; (c) installation of handpumps; and (d) procurement of equipment, vehicles (including mopeds, motorcycles and bicycles to ICDS Program field staff by making credit facilities available to such staff for purchase of such vehicles) and other items.

Part B: Program Support

(1) Management and Institutional Development

Strengthening management and institutional development, including study tours, workshops, quality improvement and preparation of new projects.

(2) Capacity Building for Training

Strengthening training capacity for ICDS Program staff including: (a) training of staff of both new and old blocks; (b) strengthening/establishing training centers and establishing training teams at the state and district levels; and (c) developing training materials.

(3) Information, Education and Communication

Developing, based on formative research, and carrying out information, education

and communication activities, including material and media services, communication training and campaigns and community mobilization activities.

Part C: Central Component

(1) Management Information System

Designing a management information system for use by the Borrower and the Project States, with emphasis on: (a) rationalization of existing registers and formats; (b) development of core indicators for the Project; (c) identification and introduction of new techniques for monitoring; (d) introduction of quarterly progress reports and monthly, quarterly and semiannual reviews; and (e) computerization of the management information system.

(2) Nutrition Surveys

Undertaking a baseline nutrition survey and an endline nutrition survey in the Project States, including data analysis and report submission.

(3) Operational Research Priorities

Reviewing operational research priorities of the Project States.

(4) National Training

Strengthening training capacity for ICDS Program staff as described in Part B(2) of the Project and providing medicine kits for Anganwadis, in the Part C(4) States.

* * *

The Project is expected to be completed by September 30, 2004.

SCHEDULE 3

Implementation Program
Project Implementation Plan

1. The Borrower shall carry out the Project in accordance with the Project Implementation Plans.

National Training

2. The Borrower shall: (a) by August 31, 1999, submit to the Administrator an implementation plan satisfactory to the Administrator for the carrying out of Part C(4) of the Project; and (b) thereafter implement, and cause the Part C(4) States to implement, such implementation plan in a manner and with a time schedule satisfactory to the Administrator.

Letter of Undertaking

3. Except as the Administrator shall otherwise agree, each Letter of Undertaking shall include, inter alia, the following provisions:

(a) Each Part C(4) State shall declare its commitment to the objectives of the Project as set forth in Section 2 of the first paragraph of Schedule 2 to this Agreement, and to this end, shall agree to carry out its portion of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, maternal and child health and nutrition practices, and to provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its portion of the Project.

(b) Each Part C(4) State shall agree to assume all the obligations applicable or relevant to such Part C(4) State under this Agreement and to take all actions necessary to undertake its portion of the Project. Each Part C(4) State shall further agree to carry out its portion of the Project in accordance with the Borrower's implementation plan for Part C(4) of the Project referred to in paragraph 2 of this Schedule.

(c) Each Part C(4) State shall agree that procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Interim Fund Credit shall be governed by the provisions of Schedule 4 to this Agreement.

(d) Each Part C(4) State shall agree that the Administrator may from time to time inspect the goods, works and services under the Project including all records and documents relating thereto.

(e) Each Part C(4) State shall agree to carry out 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 its Letter of Undertaking and its portion of the Project.

(f) Each Part C(4) State shall agree to comply and assist the Borrower in complying with the financial covenants prescribed by Article IV of this Agreement.

(g) Each Part C(4) State shall acknowledge that the Borrower may suspend or terminate its right to use the proceeds of the Interim Fund Credit made available under this Agreement upon its failure to perform any of its obligations under its Letter of Undertaking or upon notice by the Administrator that it intends to exercise its remedies under Article V of this Agreement.

(h) Each Part C(4) State shall agree to promptly inform the Borrower and the Administrator of any condition which interferes or threatens to interfere with the progress of its portion of the Project or the performance of its obligations under its Letter of Undertaking.

(i) Each Part C(4) State shall agree that it shall, from time to time, at the request of the Administrator, (i) exchange views with the Administrator (through the Borrower) with regard to the progress of its portion of the Project and the performance of its obligations under its Letter of Undertaking and (ii) furnish all such information related thereto as may reasonably be required by the Administrator.

(j) Without limitation upon the provisions of Article IV of this Agreement, each Part C(4) State shall agree to establish and maintain a separate Project account and each Part C(4) State shall agree to prepare monthly consolidated state expenditure reports in respect of such Project account.

Food Cost Expenditures

4. The Borrower shall monitor, on an annual basis, the expenditure for the food costs of the ICDS Program in each Project State.

Baseline Nutrition Survey; Endline Nutrition Survey

5. The Borrower shall carry out a baseline nutrition survey within each Project State, with content and in a manner satisfactory to the Administrator, and shall submit to the Administrator, by May 31, 2000, a report setting forth an analysis of data collected in such survey.

6. The Borrower shall carry out an endline nutrition survey within each Project State, with content and in a manner satisfactory to the Administrator, and shall submit to the Administrator, by September 30, 2004, a report setting forth an analysis of data collected in such survey.

Project Management Staff; Staffing for ICDS Program

7. The Borrower shall: (a) during the period of Project implementation, retain key staff of the Central PMU with adequate qualifications and experience; and (b) during the mid-term review of the Project referred to in paragraph 10 of this Schedule, review with the Administrator and each Project State the appropriate staffing for the ICDS Program following the completion of the Project to ensure the sustainability of the Project.

Annual Review and Work Plan

8. The Borrower shall:

(a) by May 31 of each year, beginning with May 31, 2000:

(i) provide to the Administrator an annual work plan consistent with the Project Implementation Plan of the Borrower, setting forth the activities under Part C of the Project to be carried out during the prevailing Fiscal Year including the budgetary allocations to be made available for such purpose, as well as the performance benchmarks and development objectives to be achieved and drawn from the overall framework agreed to be achieved under Part C of the Project; and

(ii) review with the Administrator the progress achieved in implementing Part C of the Project under the annual work plan for the previous Fiscal Year and the interim plan referred to in subparagraph (c) of this paragraph with special reference to the achievement of the performance benchmarks and development objectives incorporated therein;

(b) implement each annual work plan in a manner satisfactory to the Administrator; and

(c) implement Part C of the Project until the formulation of the first annual work plan in accordance with an interim plan agreed with the Administrator. 9. By May 31 of each year, beginning with May 31, 2000, the Borrower shall review with the Administrator and each Project State the annual work plan of such Project State referred to in paragraph 12 of Schedule 1 to the Project Agreement.

Monitoring and Evaluation; Mid-term Review

10. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, by August 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out 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

(c) review with the Administrator, by September 30, 2002, or such later date as the Administrator shall request, the report referred to in subparagraph (b) of this paragraph, 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 report and the Administrator's views on the matter.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. Civil Works

(a) Civil works estimated to cost \$50,000 equivalent or more per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Civil works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$57,500,000 equivalent when added to the civil works in paragraph 1(c) of this Part, may:

(i) with the Administrator's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$6,700,000 equivalent;

(ii) be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Administrator, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or

(iii) with the Administrator's prior agreement and as a last resort, be carried out by force account in a manner satisfactory to the Administrator if they meet the requirements of the provisions of paragraph 3.8 of the Guidelines, up to an aggregate amount not to exceed \$5,000,000 equivalent.

(c) Civil works estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$57,500,000 equivalent when added to the civil works in paragraph 1(b) of this Part, may be procured in accordance with procedures acceptable to the Administrator and the provisions of paragraph 3.15 of the Guidelines.

2. Furniture, Equipment, Toys and Materials

(a) Furniture, equipment, toys and materials estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Furniture, equipment, toys and materials estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$10,800,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Medicines and Medical Supplies

(a) Medicines and medical supplies estimated to cost \$20,000 equivalent or more but less than \$200,000 equivalent per contract may be procured under contracts awarded on the basis of national competitive bidding procedures in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Medicines and medical supplies estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$48,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Vehicles

(a) Vehicles (except mopeds, motorcycles and bicycles referred to in subparagraph (b) of this paragraph) estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$9,200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Mopeds, motorcycles and bicycles for ICDS Program field staff to be purchased through credit facilities under Part A(3) of the Project, estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$2,400,000 equivalent, shall be procured by such staff in accordance with established practices acceptable to the Administrator.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (a) each contract for works estimated to cost the equivalent of \$300,000 or more, (b) the first contract for works from each Project State estimated to cost the equivalent of \$50,000 or more but less than the equivalent of \$300,000, (c) each contract for goods (except vehicles) estimated to cost the equivalent of \$200,000 or more, (d) the first contract for furniture, equipment or medicines from each Project State estimated to cost the equivalent of \$30,000 or more but less than the equivalent of \$200,000 and (e) each contract for vehicles estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for training, information, education and communication, surveys, studies, design and construction supervision, research activities and procurement agents estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Administrator of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5), (6) and (7) 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 Interim Fund 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 \$20,000,000 to be withdrawn from the Interim Fund Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$10,000,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all

outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 70,000,000.

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 Administrator 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 Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator from the Interim Fund 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 Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator 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 Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator 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 Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent

that the Administrator 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 Administrator 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 Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator 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 Administrator, refund to the Administrator such outstanding amount.

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

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

