

CONFORMED COPY

CREDIT NUMBER 3482 IN

Development Credit Agreement

(Second National Leprosy Elimination Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 19, 2001

CREDIT NUMBER 3482 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 19, 2001, between INDIA (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 Project in part will be carried out by SLSSs and DLSSs with the assistance of the Borrower and the Participating States, and as part of such assistance, the Borrower will make available to SLSSs and DLSSs part of 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;

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 October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries" ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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."

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) "center/central" means at the level of Government of the Borrower;

(b) "District/district" means an administrative unit of a State of India, including any successor or successors thereto, and in its plural form the term refers to more than one such administrative unit;

(c) "District Leprosy Society" or "DLS" means any society established under the Borrower's Societies Registration Act, 1860, with the predominant objective of carrying out NLEP;

(d) "IEC" means information, education and communication component of the Project described under Part D of the Project;

(e) "endemicity" means usual presence of a disease within a geographic area or population group;

(f) "FY" means the fiscal year of the Borrower, which begins on April 1 each year and ends on March 31 of the following year;

(g) "GHS" means general health services in a Participating State;

(h) "Leprosy" means a chronic, slow developing bacterial disease of man caused by mycobacterium leprae affecting the skin and peripheral nerves;

(i) "Memorandum of Understanding" means an undertaking executed and furnished by a Participating State to the Borrower pursuant to Section 3.04 of this Agreement;

(j) "MOHFW" means the Borrower's Ministry of Health and Family Welfare;

(k) "MDT" means multi drug therapy under the Project and referred to in Part B of the Project;

(l) "NLEP" means the Borrower's National Leprosy Eradication Program;

(m) "Participating State" means any State of the Borrower or Union Territory, including any successor or successors thereto, which participates in the carrying out of the Project, or in any part thereof, and from which the Borrower obtains a Memorandum of Understanding. In its plural form the term refers to more than one Participating State;

(n) "PIP" means the Project Implementation Plan of the Borrower and of a Participating State, as such PIP may be amended, from time to time, with the prior approval of the Association;

(o) "SLS" means the State Leprosy Society and in its plural form it means more than one SLS;

(p) "State or state" means a State of the Borrower or any successor or successors thereto which is a Participating State. In its plural form the term refers to more than one State;

(q) "Eligible Categories" means categories (1), (2) and (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(r) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement; and

(s) "Project Management Report" means each report prepared in accordance with Section 4.02 of this 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 twenty-three million three hundred thousand Special Drawing Rights (SDR 23,300,000).

Section 2.02. 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 and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 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 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 March 1 and September 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 March 1 and September 1 commencing September 1, 2011 and ending March 1, 2036. Each installment to and including the installment payable on March 1, 2021 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, shall carry out the Project in accordance with the provisions of this Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial and health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon any provision of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall cause each Participating State to carry out its portions of the Project and ensure that the portions to be implemented through SLS and DLS shall be carried out in accordance with the provisions set forth in Schedule 4 to this Agreement and the State's Memorandum of Understanding, with due diligence and efficiency and in conformity with appropriate administrative, financial and health practices, provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and necessary or appropriate to enable SLS and DLS to perform such obligations, and the State shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall make part of the proceeds of the Credit available to each:

- (i) Participating State for the portions of the Project as are to be carried out by such State in accordance with the Borrower's standard arrangements for development assistance to the States of India; and
- (ii) SLS and DLS for the carrying out its portions of the Project, in accordance with the arrangements satisfactory to the Borrower and the Association.

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 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that obligations set forth in Section 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 respectively by the Participating State pursuant to the terms of its Memorandum of Understanding.

Section 3.04. The Borrower shall ensure that prior to the Project being carried out in a Participating State, such State shall duly execute and deliver to the Borrower and the Association a Memorandum of Understanding with form and content agreed with the Association, including actions set forth in Schedule 4 to this Agreement.

Section 3.05. 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 Association, and furnish to the Association 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 Association, a plan for the future operation of NLEP; and

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

Section 3.06. Without limitation to the generality of any other provision of this Agreement, the Borrower shall review biannually with the Association progress in Project implementation over the preceding six months and shall prepare and furnish to the Association during such review a work plan for the six months following such review.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project of the departments or agencies of the Borrower as well as of each SLS and DLS, responsible for carrying out any part of the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts 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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than October 1, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

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

(a) Any Participating State shall have failed to perform any of its respective obligations under this Agreement, or the Memorandum of Understanding, as the case may be.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Participating State will be able to perform its respective obligations under this Agreement, or the Memorandum of Understanding, as the case may be.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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.

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:	Telex:	Facsimile:
ECOFAIRS	953-3166175	91-11-3016075

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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/ Adarsh Kishore

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin Lim

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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) Goods:	1,500,000	100% of foreign expenditures; 100% of

(a) Furniture and equipment			local expenditures (ex-factory cost) and 80% of local expenditures
(b) Vehicles			for other items procured locally
(c) Supportive medicines			
(d) Materials and supplies			
(2) Services	13,000,000	100%	
(3) Incremental operating costs	6,100,000	60%	of local expenditures until July 31, 2002; 40% of expenditures from August 1, 2002 until July 2003; and 20% of expenditures thereafter
(4) Unallocated	2,700,000		
TOTAL	23,300,000		

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;

(c) the term "services" means IEC, campaigns, training and workshops, research and studies, consulting services, contractual services, medical and surgical services.

(d) the terms "incremental operating costs" mean the honoraria, costs incurred for hire and maintenance of vehicles, and for office operation.

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 2,250,000, on account of payments made for expenditures before that date but after October 1, 2000.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for (i) goods under contracts costing \$200,000 equivalent or less each; (ii) 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; and (iii) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in dollars a separate special deposit account in the Reserve Bank of India, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) 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 (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,250,000 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 equal or exceed the equivalent of SDR6,000,000.

2. 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$5,000,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to transform the national leprosy eradication program to an effective and sustainable program through a decentralized and integrated approach which increases community access to MDT. The Project will assist the Borrower in eliminating leprosy as a public health problem at all levels in India.

The Project consists of the following parts, subject to such modifications as may be agreed upon between the Borrower and the Association from time to time:

Part A: Decentralization and Institutional Development

(a) To define and promote the role and responsibilities at the levels of the Borrower, the States and Districts, so as to enable the Borrower, each Participating State and District to carry out its responsibilities for the Project implementation effectively at its level.

(b) Provision of skills and staff required at each level to carry out the Project activities consistent with the role and responsibilities of each entity participating in the Project execution.

(c) Provision for training and workshops, consultants' services, incremental staff, equipment and furniture.

Part B: Strengthening and Integration of Service Delivery

(a) Strengthening of services for the delivery of MDT with emphasis on case detection and integration of leprosy control activities with GHS from the start of the Project, by each Participating State through voluntary reporting, campaigns, and with emphasis on special groups.

(b) Provision of incremental operating costs, drug delivery, campaigns, activities to target special groups, and service delivery by NGOs.

Part C: Disability Prevention

(a) Service delivery by GHS and NGO partners for the prevention of disability work in defined populations and reconstructive surgery facilities for deformities.

(b) Provision of consultants' services, equipment and operating expenses for prevention of disability work.

Part D: Information, Education and Communication (IEC)

(a) Strengthening of IEC activities to complement service delivery strategy, including both active and passive case detection, and an emphasis on the availability of safe and effective treatment.

(b) Support for campaign activities at specific times and encourage voluntary reporting as leprosy control is integrated with GHS, advocacy, change society's attitude to leprosy and to increase demand by affected individuals for leprosy control services. In each Participating State, the extent of support will be determined according to the level of endemicity in the State.

(c) Provision of consultants' services, workshops, training, technical assistance, IEC materials and media space and operational expenses.

Part E: Training

(a) Provision of staff training for reorientation to an integrated approach and to provide skills needed by staff in GHS. The staff training, inter alia, to be based on the need for improved management at all levels, and the need for technical reorientation of health workers including those in GHS.

(b) Provision of workshops, review meetings, training activities, contractual services and operational expenses.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with (a) 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, September 1997 and

January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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 following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods and vehicles shall be grouped in bid packages estimated to cost \$200,000 and \$100,000, respectively, equivalent or more each.

(b) Preference for domestically manufactured goods

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 but more than \$30,000 equivalent per contract may be procured under contracts awarded in accordance with the procedures satisfactory to the Association.

2. National Shopping

Goods except vehicles estimated to cost \$30,000 equivalent or less per contract, up to an aggregate amount not to exceed \$2,400,000 equivalent, vehicles estimated to cost \$100,000 or less per contract up to an aggregate amount not to exceed \$400,000 equivalent, and contracts for hiring and maintenance of vehicles and consumables estimated to cost \$10,000 equivalent or less per contract, up to an aggregate not to exceed \$3,840,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Contracts estimated to cost less than \$10,000 per contract for (i) Goods except vehicles up to an aggregate amount not to exceed \$800,000 equivalent; and (ii) hiring and maintenance of vehicles and consumables up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for goods except vehicles estimated to cost the equivalent of \$200,000 or more; (b) each contract for vehicles awarded in accordance with procedures of paragraph B.1 of this Schedule; and (c) the first contract for goods from any State estimated to cost more than \$30,000 but less than \$200,000 equivalent procured in accordance with procedures of Part C.1 of this

Schedule, 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

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Consultants' services for IEC and final Project evaluation 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 referred to in Part B.1, estimated to cost less than \$200,000 equivalent per contract for IEC, training and workshops, and medical/surgical services, and less than \$100,000 equivalent per contract for other services, 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. Single Source Selection

Services for training and workshops and other services which are estimated to cost less than \$100,000 equivalent per contract respectively, up to an aggregate amount not to exceed \$6,910,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Service Delivery Contractors

Services to be provided by medical personnel under Part D of the Project and social workers for State Leprosy Societies estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$15,250,000 equivalent, may be procured in accordance with the provisions of paragraph 3.19 of the Consultant Guidelines.

3. 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 Association 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 Association 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 Association, 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 Association 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 4

Implementation Program

1. 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 Association, the carrying out 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, on or about September 30, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 Association, by October 31, 2002, or such later date as the Association shall request, the report 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 report and the Association's views on the matter.

2. The Central Leprosy Unit of MOHFW will be responsible for coordinating the Project implementation activities. The Deputy Director General of Health Services for Leprosy of MOHFW as the Project Director will be responsible for overall implementation of the Project and its financial management, central level procurement, annual central work-plans, management and technical support to the Participating States and an annual progress review of the program. The Project Director will ensure compliance by the entities participating in the Project implementation with central policies and technical guidelines and will monitor Project progress.

3. At the Participating State level, the State Departments of Health through the State Leprosy Officer (SLO) will be responsible for managing implementation of the leprosy control activities in conformity with NLEP guidelines. SLO, holding exclusive charge of the Project, will be responsible for financial management of the Project within the State, State level procurement, annual work-plans, management and technical support to districts and annual progress review of the program in the Participating State. On advice of the center, SLO will be responsible for reviewing continuation of vertical staff employed by the State for leprosy control activities. Where leprosy control activities are to be contracted to NGOs/private sector, this will be accomplished through the State Leprosy Society (SLS) or any other designated funding channel in compliance with guidelines agreed with the center.

4. At the district level, implementation of leprosy control work-plans will be funded through DLS, under the overall supervision of State Department of Health through SLS. The DLS will be responsible, through the District Leprosy Officer, for

district procurement and implementation of district annual work-plans and financial management systems, including review of vertical staff responsibilities as agreed by the State.

5. Large scale Modified Leprosy Elimination Campaigns (MLECs) and focused rural Special Area Projects for Elimination of Leprosy (SAPELs) and urban Leprosy Elimination Campaigns (LECs) will continue to be used as an important strategy for reaching special groups and areas under the Project.

6. Participating States with relatively low prevalence of leprosy, will implement leprosy control activities through the general health staff and will undertake review of continuation of vertical staff and institutions established under the leprosy control program in year 1 of the Project. High endemicity states will continue current rosters of vertical staff and institutions. Review of rosters funded from the Association's financial assistance will be undertaken during the life of the Project, with a view to reductions in the overall complement of vertical staff using agreed triggers.

7. NGOs continuing role in the Project implementation will be determined by taking into account capacity and disease burden in district and Participating State. Activities that will be carried out by each NGO will be formalized through an appropriate agreed mechanism with each Participating State. The formal undertaking will include the description of services to be provided, mechanisms and indicators of achievements and accountabilities of the NGO and commitments by the Participating State.

8. The Borrower shall:

(a) reduce the number of regular and contract 'vertical' staff in accordance with PIP;

(b) ensure that incentives based on case finding shall not be instituted; and

(c) carry out routine reporting independent third party surveys, validation of elimination surveys, based on initial pilot survey and subject to recommendations of the technical and Advisory Group on Leprosy of the World Health Organization, and final leprosy prevalence survey (evaluation), in accordance with terms of reference agreed with the Association.

9. In addition to the provision of this Schedule and elsewhere in this Agreement, the Project shall be carried out in accordance with the PIP.

