

CONFORMED COPY

CREDIT NUMBER 3338 IN

Agreement Amending
Development Credit Agreement

(Health Systems Development Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 8, 2001

CREDIT NUMBER 3338 IN
(Amendment)

AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT dated November 8, 2001, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association);

WHEREAS (A) by the Development Credit Agreement dated May 19, 2000, as amended to date (the Development Credit Agreement) between the Borrower and the Association, the Association agreed to make available to the Borrower an amount in various currencies equivalent to eighty-two million one hundred thousand Special Drawing Rights (SDR 82,100,000) (the Credit) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) by the Project Agreement dated May 19, 2000 (the Project Agreement), between the Association and the State of Uttar Pradesh (Uttar Pradesh), Uttar Pradesh agreed to undertake certain obligations with respect to the carrying out of the Project;

(C) the Borrower has advised the Association through Gazette Notice No. 37 dated August 25, 2000, of the enactment of the Uttar Pradesh Reorganization Act, creating the new State of Uttaranchal (Uttaranchal), formerly a part of Uttar Pradesh;

(D) the Borrower has requested the Association to amend the Development Credit Agreement to take into account the creation of Uttaranchal; and

(E) The Borrower has advised the Association that Uttaranchal has endorsed and is committed to carrying out the health sector development program (the Uttar

Pradesh Health Sector Development Program) described in a letter from Uttar Pradesh to the Association dated March 10, 2000.

NOW THEREFORE the parties hereto hereby agree to amend the Development Credit Agreement as follows:

PREAMBLE

(i) Paragraph C is amended to read as follows:

"the Project will be carried out by Uttar Pradesh and the State of Uttaranchal (Uttaranchal) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Uttar Pradesh and Uttaranchal the proceeds of the Credit as provided in this Agreement;"

(ii) The final paragraph of the Preamble is amended to read as follows:

"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, in the Project Agreement of even date herewith between the Association and Uttar Pradesh, and the Uttaranchal Project Agreement between the Association and Uttaranchal;"

ARTICLE I

General Conditions; Definitions

(i) The following paragraphs of Section 1.02 are amended to read as follows:

"(b) "CMO" means a Chief Medical Officer of a district in Uttar Pradesh (as hereinafter defined) or Uttaranchal (as hereinafter defined);

(c) "DOMHFW" means the Department of Medical Health and Family Welfare in each of Uttar Pradesh and Uttaranchal;

(f) "Fiscal Year" or "FY" means the fiscal year of the Borrower, Uttar Pradesh and Uttaranchal, which begins on April 1 of a calendar year and ends on March 31 of the following calendar year;

(g) "HMIS" means Health Management Information Systems;

(h) "Hospital Waste Management Assessment and Plan" means the action plan of Uttar Pradesh dated January 21, 2000, approved by the Association and endorsed by Uttaranchal, for the management of medical waste, including actions to be taken within hospital premises and actions to be taken regarding ultimate disposal outside hospital premises, set forth in Chapter seven of the Project Implementation Plan (as hereinafter defined);

(i) "NGO" means a non-governmental organization operating under the relevant laws of the Borrower, Uttar Pradesh or Uttaranchal;

(k) "PFMS Manual" means the Manual developed for the operation of the PFMS and included in the Project Implementation Plan and the Uttaranchal Project Implementation Plan (as hereinafter defined);

(n) "Project Governing Board" means the respective Project Governing Board established for the Project in each of Uttar Pradesh and Uttaranchal, responsible for, inter alia, making major policy decisions and developing the broad policy outline for the Project, approving the annual budget, and Project revisions as necessary, ratifying decisions of the Project Steering Committee (as hereinafter defined), undertaking an annual review of Project implementation and monitoring overall Project progress;

(q) "Project Management Unit" means each of the Project Management Units established for the Project within the respective DOMHFWs, and responsible for, inter alia, performing routine Project management, monitoring progress, maintaining the flow of funds and project accounts, providing technical guidance and general administration, and preparing progress reports;

(r) "Project Steering Committee" means the Project Steering Committee established for the Project in each of Uttar Pradesh and Uttaranchal, and

reporting to the respective Project Governing Board, responsible for, inter alia, overseeing and monitoring Project implementation and facilitating Project management;

(u) "Strategic Management Board" means the Strategic Management Board established within each DOMHFW and responsible for, inter alia, formulating and reviewing health sector policy proposals and strategies for Uttar Pradesh and Uttaranchal, respectively; and

(v) "Strategic Support Group" means the Strategic Support Group established within each DOMHFW and responsible for, inter alia, conducting and commissioning specific policy analysis and research as directed by the respective Strategic Management Board and providing other technical and research support to such Strategic Management Board;"

(ii) The term 'and' is deleted from Section 1.02 (v) and the following definitions are added at the end of Section 1.02:

"(x) "Agreement Amending the Development Credit Agreement" means the Agreement amending the Development Credit Agreement dated November 8, 2001, between the Borrower and the Association for purposes of including Uttaranchal as a State participating in the Project;

(y) "Agreement Amending Project Agreement" means the Agreement amending the Project Agreement dated November 8, 2001, between the Association and Uttar Pradesh;

(z) "Uttaranchal" means the Borrower's state of Uttaranchal, or any successor thereto;

(aa) "Uttaranchal Project Agreement" means the agreement between the Association and Uttaranchal 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 Uttaranchal Project Agreement; and

(bb) "Uttaranchal Project Implementation Plan" means the Uttaranchal Project Implementation Plan for the Project dated July 18, 2001, and, including time-bound action plans, procedures and criteria agreed with the Association."

ARTICLE III

Execution of the Project

(i) Article III is deleted and replaced with the following:

"Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Uttar Pradesh and Uttaranchal to perform in accordance with the provisions of the Project Agreement and the Uttaranchal Project Agreement all the obligations of Uttar Pradesh and Uttaranchal therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Uttar Pradesh and Uttaranchal to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Uttar Pradesh and Uttaranchal in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

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

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

2.03 of the Uttaranchal Project Agreement, respectively."

Section 3.04. The Borrower shall participate together with Uttar Pradesh, Uttaranchal and the Association in the carrying out of the mid-term review of the Project referred to in paragraph 14 of Schedule 2 to the Project Agreement and paragraph 14 of Schedule 2 to the Uttaranchal Project Agreement, respectively."

ARTICLE V

Remedies of the Association

(i) Section 5.01 is amended to include the following additional provisions, as follows:

"(d) Uttaranchal shall have failed to perform any of its obligations under the Uttaranchal Project Agreement.

(e) 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 Uttaranchal will be able to perform its obligations under the Uttaranchal Project Agreement.

(f) An event shall have occurred which shall make it improbable that the Uttar Pradesh Health Sector Development Program endorsed by Uttaranchal, or a significant part of such Program will be carried out."

(ii) Section 5.02 is amended to read as follows:

"Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the events specified in paragraph (a) or (d) 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 Association to the Borrower."

ARTICLE VI

Effective Date; Termination

(i) The following provisions are added to Article VI:

"Section 6.03. The Agreement Amending the Development Credit Agreement shall not become effective until a legal opinion satisfactory to the Association showing that the Uttaranchal Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of Uttaranchal and is legally binding upon Uttaranchal in accordance with its terms, is received by the Association.

Section 6.04. If the Agreement Amending the Development Credit Agreement shall not have entered into effect within ninety (90) days of the date thereof, all obligations of the parties hereunder shall terminate, unless the Association after due consideration establishes a later date for purposes of this Section, and informs the Borrower of such later date."

SCHEDULE 1

(i) The table in Part A.1 is deleted and replaced with the following table:

"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) Civil Works		85%

	(a) Uttaranchal	3,090,000	
	(b) Uttar Pradesh	11,840,000	
(2)	Goods		100% of foreign expenditures,
	(a) Uttaranchal	4,090,000	100% of local
	(b) Uttar Pradesh	27,260,000	expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3)	Consultants' services, professional services, NGO services, studies, training and workshops		100%
	(a) Uttaranchal	2,010,000	
	(b) Uttar Pradesh	18,140,000	
(4)	Incremental operating and maintenance costs		80% of expenditures incurred through December 31, 2002;
	(a) Uttaranchal	1,190,000	50% of expenditures
	(b) Uttar Pradesh	6,270,000	incurred from January 1, 2003 through December 31, 2004; and 25% of expenditures incurred thereafter
(5)	Unallocated		
	(a) Uttaranchal	1,160,000	
	(b) Uttar Pradesh	7,050,000	
	TOTAL	82,100,000"	

(ii) A new paragraph 5 is added to Part A to read as follows:

"No withdrawals shall be made by Uttaranchal for expenditures incurred prior to November 9, 2000."

(iii) Part B.2 (a) and (b) are amended to read as follows:

"(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 3.02(b) of the Project Agreement and Section 3.02(b) of the Uttaranchal Project Agreement, respectively; 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 3.02(b) of the Project Agreement and Section 3.02 (b) of the Uttaranchal Project Agreement, respectively, 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."

(iv) Part B.4 (a) and (c) are amended to read as follows:

"(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.02 of the Project Agreement and Section 3.02 of the Uttaranchal Project Agreement, respectively;

(c) if the Borrower, Uttar Pradesh, or Uttaranchal, shall have failed to furnish to the Association within the period of time specified in Section 4.01(b)(ii) of this Agreement, Section 3.01(b)(ii) of the Project Agreement and Section 3.01(b)(ii) of the Uttaranchal Project Agreement, respectively, any of the audit reports required to be furnished to the Association pursuant to said Sections in respect of the audit of (A) the records and accounts for the Special Account or (B) the records, accounts and financial statements reflecting expenditures with respect to which withdrawals were made on the

basis of Project Management Reports or statements of expenditure."

SCHEDULE 2

- (i) The Project objective is amended by adding the terms 'and Uttaranchal' after Uttar Pradesh.
- (ii) Part A.1 is amended to read as follows:

"Developing the strategic management capacity and enhancing the competence for formulating and reviewing health sector policy proposals and strategies within each DOMHFW by: (i) establishing and operationalizing the respective Strategic Management Board and Strategic Support Group in each of Uttar Pradesh and Uttaranchal, reviewing the overall performance of the respective health systems, commissioning and conducting special studies, preparing policy papers, and establishing the strategic direction for the health sector; and (ii) establishing an effective forum for developing public-private partnerships in the health sector."

- (iii) Part A.3 is amended by adding the word 'each' before Project Management Unit.

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

INDIA

By /s/ Adarsh Kishore

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

