

CONFORMED COPY

CREDIT NUMBER 2470 IN

Development Credit Agreement

(Second Integrated Child Development Services Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 23, 1993

CREDIT NUMBER 2470 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 23, 1993, between INDIA, acting by its President, (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the States of Bihar and Madhya Pradesh with the assistance of the Borrower, and as part of such assistance, the Borrower will make available to the States of Bihar and Madhya Pradesh the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date between the Association and the States of Bihar and Madhya Pradesh;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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 ICDS;

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

(c) "First Integrated Child Development Services Project" means the Integrated Child Development Services Project assisted by the Association (Credit Number 2173-IN) and the International Bank for Reconstruction and Development (Loan Number 3253-IN);

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

(e) "ICDS Plus" means the activities described in Part D of the Project;

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

(h) "Project Area" means such parts of Bihar and Madhya Pradesh as are so designated by agreement between the Borrower, and the Association;

(i) "Project Agreement" means the agreement between the Association and Bihar and Madhya Pradesh 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 State" means Bihar or Madhya Pradesh and "Project States" means Bihar and Madhya Pradesh, collectively;

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

(l) "Strategies For Strengthening ICDS Among Tribal Populations" means an action program for strengthening delivery of ICDS to tribal populations, agreed between the Borrower and the Association for carrying out Part F of the Project; and

(m) "tribal block" shall include any block whose tribal population constitutes over 50% of its total population, as well as any block with an area covered under the tribal sub-plan of the concerned Project State, located in the Project Area.

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 this Agreement, an amount in various currencies equivalent to one hundred forty-one million six hundred thousand Special Drawing Rights (SDR 141,600,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2000 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 cancelled; 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing June 1, 2003 and ending December 1, 2027. Each installment to and including the installment payable on December 1, 2012 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

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

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall 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 and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project States to perform such obligations, and 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 each Project State for such part of the Project as is carried out respectively by that Project State, 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.

Section 3.03. The Borrower shall establish a panel of advisors of national repute in the fields of nutrition, maternal and child health and the social sciences related to tribal affairs by December 31, 1993, to assess annually the implementation of the Project amongst tribal populations, and the Borrower shall discuss with the Association a report of the Committee containing such assessment, as well as proposed steps arising therefrom.

Section 3.04. The Borrower and the Association hereby agree that the 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 Project States pursuant to Section 2.03 of the Project Agreement.

Section 3.05. The Borrower shall participate in the carrying out of the reviews of the Project referred to in paragraphs 4 and 7 of Schedule 2 to the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of

statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
 - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and
 - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

- (a) Any Project State shall have failed to perform any of its respective obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Project State will perform its respective obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (d) 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 and the Project State.

ARTICLE VI

Effective Date; Termination

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

(a) each Project State has appointed consultants to assist it in carrying out Part C of the Project; and

(b) each Project State has complied with the provisions of paragraph 1 of Schedule 2 to the Project Agreement.

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

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

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

ARTICLE VII

Representatives of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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

INDIA

By /s/ N. Valluri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds
of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	18,200,000	90%
(2) Furniture, equipment, IEC materials, vehicles and medicines	27,400,000	100% of foreign expenditures, 100% of local expenditures, (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services, training, publicity services, services of NGOs		100%
(a) Part G	400,000	
(b) Other	18,200,000	

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Incremental operating costs	67,900,000	75% of local expenditures
(5) Unallocated	9,500,000	

TOTAL 141,600,000
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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 costs" means the following additional costs incurred in carrying out the Project: (i) salaries of additional staff; (ii) operation and maintenance of additional vehicles and equipment; and (iii) additional office supplies for ICDS.

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 1,500,000, may be made on account of payments made for expenditures before that date but after November 30, 1991.

SCHEDULE 2

Description of the Project

The main objective of the Project is to accelerate the pace of improvement in the nutrition and health status of children under six years of age, particularly those under three years of age, as well as pregnant and nursing women, focussing on households with income below the poverty line in the Project Areas in Bihar and Madhya Pradesh.

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: Delivery of ICDS

(1) Improving Planning for Introduction of ICDS

Strengthening planning of implementation of ICDS by developing and using Plans for the Introduction of Services covering the introduction of ICDS to each block in which ICDS was not previously provided, including mapping of such blocks to determine the number and location of new Anganwadis in such blocks.

(2) Expansion and Strengthening of Anganwadis

Establishment (including construction) and strengthening of Anganwadi centers for existing and new ICDS blocks to provide for a minimum population coverage of 75% within each block, as well as strengthening district and block level ICDS offices and food storage facilities in selected blocks.

(3) Delivery of Supplementary Food

Improving the delivery of supplementary food under ICDS through the provision of additional storage facilities at the block and district level, simplification of the distribution system and improved monitoring of food distribution.

(4) Support for Pre-School Education

Strengthening pre-school education by the provision of initial supplies as well as replenishments of educational materials for Anganwadis; promotion of a more interactive approach to such education through appropriate training of Anganwadi workers; and undertaking information, education and communication activities to enhance awareness and capacity for a more stimulating environment at home for pre-school children.

(5) Improving ICDS Supervision

Improvement of ICDS supervision by strengthening in-service training, improving mobility of supervisors; and providing an additional supervisor per block with special responsibility for organizing in-service training, communications and community mobilization activities.

(6) Improving Coordination between ICDS and Family Welfare Workers

Strengthening effective coordination between ICDS staff and workers and Family Welfare staff and workers inter alia by enhanced joint supervision of the two programs, informal joint training and harmonization of formal training criteria.

(7) Pharmaceuticals

Provision of additional medicines to health centers and sub-centers to complement those provided under other programs of the Borrower including the Child Survival and Safe Motherhood Project.

(8) Strengthening Operational Research

Strengthening operational research in areas such as improving work routines of supervisors and workers in Anganwadis; testing various options for therapeutic feeding of children with varying nutrition status; and strategies for delivering ICDS to remote tribal areas.

Part B: Training

(1) Staff Training

Provision of training for ICDS staff including orientation and pre-service training for selected staff in ICDS blocks and annual in-service training for all ICDS staff.

(2) Strengthening Training Institutions

Strengthening selected Anganwadi Training Centers by including training of instructors of these Centers, curriculum review and improved arrangements for field placement of trainees, as well as the establishment in Bihar of an additional Middle Level Training Center.

(3) In-service Training

Strengthening in-service training of ICDS staff including by establishing mobile training teams in each Project State with specialist staff to be responsible for training supervisors who, in turn, would train village level staff with the guidance of such teams.

(4) Support for Management and Development of Training

Curriculum preparation, review and development, material development, training of instructors and planning and monitoring of training activities through State level Project management cells.

Part C: Communication

Carrying out an effective communication campaign to improve household maternal and child feeding and child care practices, and to increase use of ICDS services, by mothers of children under 6

years of age, adolescent girls and women, including the development of an appropriate communication strategy, the creation of a sound database, the use of creative skills to implement the strategy, production of materials such as slides, posters, and audio tapes and the selection of appropriate media and identification of target groups.

Part D: Community Mobilization and Women's Income-Generation Schemes

Mobilizing the beneficiary community in implementing and sustaining the Project including establishing and sustaining village level women's groups, clearly identifying benefits of increased awareness generation and community mobilization; involving non-governmental organizations in the design, planning and implementation of community mobilization activities; developing models for popular participation in income generation, adolescent girls' schemes and creche programs; and developing innovative approaches to integrating ICDS with other activities of women at the village level.

Part E: Project Management, Monitoring and Evaluation

Provision of support for Project management, monitoring and evaluation including establishment and operation of state level Project Management Cells, a regional directorate in Madhya Pradesh with responsibility and necessary expertise for Project implementation in tribal areas, and strengthening district level management of ICDS by establishing district level offices in selected districts; and strengthening of monitoring and evaluation of ICDS programs including assistance for implementing a computerized progress reporting system including provision of appropriate training for staff.

Part F: Delivery of ICDS to Tribal Areas

Strengthening delivery of ICDS services to tribal beneficiaries, particularly in scattered or remote areas.

Part G: Preparation of Future Projects

Preparation of future projects in the Borrower's child and women's development sector.

* * *

The Project is expected to be completed by March 31, 2000.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$9,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(ii) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

