

CONFORMED COPY

CREDIT NUMBER 2936 IN

Development Credit Agreement

(Tuberculosis Control Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 14, 1997

- 25 -

CREDIT NUMBER 2936 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 14, 1997, between India, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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, with the

modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted;
- (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 member of the Bank 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 to the United Nations."; and

- (c) Section 6.03 is modified to read:

"6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Central Institutions" mean the following:
 - (i) National Tuberculosis Institute, Bangalore;
 - (ii) Tuberculosis Research Center, Madras;
 - (iii) Lala Ram Swarup Institute of Tuberculosis and allied Diseases, Delhi;
 - (iv) All India Institute of Hygiene and Public Health, Calcutta; and
 - (v) Any other institutions mutually agreed between the Association and the Borrower.
- (b) "Central Unit" means the Central Management Unit for RNTCP

(as hereinafter defined) in the Borrower's Ministry of Health and Family Welfare;

(c) "District" means an administrative unit or a Municipal Corporation within a State;

(d) "DOT" means Directly Observed Therapy and "DOTS" means Directly Observed Therapy, Short-Course;

(e) "FY" means the fiscal year of the Borrower and the States from April 1 to March 31 each year;

(f) "Program" means the National Tuberculosis Control Program of the Borrower, including RNTP;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 30, 1994 and December 22, 1994 between the Borrower and the Association;

(h) "Project State" means any State that is carrying out any portion of the Project;

(i) "RNTP" means the Revised National Tuberculosis Control Program of the Borrower;

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

(k) "SCC" means Short Course Chemotherapy; and

(l) "State" means a State of India or a Union Territory, and includes any successor thereto.

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 ninety-eight million four hundred thousand Special Drawing Rights (SDR 98,400,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2002, 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 February 1 and August 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 semiannual installments payable on each February 1 and August 1 commencing August 1, 2007, and ending February 1, 2032. Each installment to and including the installment payable on February 1, 2017, 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 abovementioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the 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, or cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limiting any of its obligations under this Agreement, the Borrower: (i) shall cause each Project State to carry out its respective portion of the Project in accordance with the provisions of this Agreement; (ii) shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable such Project State to perform such obligations; and (iii) shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out, and shall cause each Project State to carry out the Implementation Program set forth in Schedule 4 to this Agreement.

(d) The Borrower shall make part of the proceeds of the Credit available to each Project State for such parts of the Project as are to be carried out by such Project State in accordance with the Borrower's standard arrangements for development assistance to the Project States.

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. Without limitation upon the provisions of Article IX of the General Conditions, 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 the Program; and

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

Section 3.04. 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 December 31, 1999, 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 April 30, 2000, 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.

Section 3.05. Without limitation upon the provisions of any other part of this Agreement:

(a) the Borrower shall, and shall cause each Project State to carry out its portion of the Project, in accordance with a Letter of Undertaking (Letter of Undertaking) by the Project State with terms and conditions satisfactory to the Association; and

(b) the Borrower shall not amend or suspend any provisions under the Letter of Undertaking without the prior approval of the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower and the States responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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 copy of the 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 said records, accounts and the audit thereof as the Association shall 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 statements of expenditure, the Borrower shall:

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

accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit 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 statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Termination

Section 5.01. 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.

Section 5.02. The obligations of the Borrower under Schedule 4 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VI

Remedies of the Association

Section 6.01. 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 obligation under its respective Letter of Undertaking.

(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 be able to perform its obligations under its respective Letter of Undertaking.

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

ARTICLE VII

Representatives of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Association:

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/ Sudhakar Rao
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mieko Nishimizu
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 Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be
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(1)	Works	2,400,000	80%
(2)	Drugs, laboratory foreign equipment, goods 100% and vehicles expenditures cost), local for locally	51,100,000	100% of expenditures, of local (ex-factory and 80% of expenditures other items procured
(3)	Publicity and social marketing services	2,300,000	85%
(4)	Consultant services, training, workshops, and fellowships	5,500,000	100%
(5)	Incremental costs for June salaries, honoraria, 1999, 75% from laboratory supplies 1999 to and operation and 2000, 60% from July 1, 2000	22,700,000	90% through 30, July 1, June 30, through June and 40%
(6)	Refunding of Project due pursuant Preparation Advance 2.02(c) of this Agreement	800,000	Amount to Section
(7)	Unallocated	13,600,000	
	TOTAL	98,400,000	

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; and

(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 "incremental costs" means the cost of additional staff employed for the purposes of the Project, the cost of operation and maintenance of vehicles and equipment procured under the Project, honoraria for the DOT workers and laboratory supplies for the RNTP and SCC Districts.

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

(a) expenditures prior to the date of this Agreement; and

(b) expenditures incurred in, or by, any Project State unless that Project State has delivered to the Association, a Letter of Undertaking of such Project State satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and services under contracts: (i) costing less than \$200,000 equivalent each for goods and works; (ii) costing less than \$100,000 equivalent each for employment of consulting firms; (iii) costing less than \$50,000 equivalent each for individual consultants; and (iv) incremental costs under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in reducing mortality, morbidity and disability by curing tuberculosis cases through the strengthening of the National Tuberculosis Control Program, including the introduction of a revised strategy for tuberculosis control.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A: Service Delivery

The carrying out of a program of treatment for tuberculosis control through: (i) a revised strategy of directly-observed short-course chemotherapy (DOTS), (ii) a strengthened program of regular short-course chemotherapy treatment in place, and (iii) a strengthened program of conventional long-course chemotherapy currently in place.

Part B: Capacity Building and Skills Development

Carrying out a program of strengthening management cells at the central, state, city, district, and sub-district levels by introducing effective mechanisms for supervision, monitoring and communication; providing inputs for strengthening the Central Institutions, and State Demonstration and Training Centers, Medical Colleges and other selected training institutions; developing operational research capacity and developing technical, managerial and interpersonal skills.

Part C: Information, Education and Communication (IEC), Outreach Activities and Community Involvement

Carrying out a program of: (i) training in IEC to strengthen IEC cells of the Borrower and the Project States; (ii) production of educational counseling materials for health providers in the public and private sectors, (iii) integration, through a newsletter, of program information, recognition schemes and basic medical information on RNTPT and the Program norms; (iv) development of counseling materials for patients, (v) development of materials (including limited use of mass media) for social workers and the public to create a more favorable social environment for those with Tuberculosis; (vi) training in interpersonal communication and counseling of patients; (vii) involving Non-Governmental Organizations (NGOs) in policy planning and implementation; (viii) involving cured patients who have adhered faithfully to the treatment in the interpersonal communication program,

and (ix) involving community leaders such as the Panchayats, women's groups, NGOs and grass-roots organizations to support initiatives to help tuberculosis patients.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and works

Part A: General

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

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) To the extent practicable, contracts for laboratory equipment and drugs will be bulked into bid packages estimated to cost the equivalent of \$200,000 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

Contracts for drugs, vehicles, equipment, and materials, estimated to cost the equivalent of \$200,000 or less per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines up to the following amounts:

(a) for drugs, up to \$8,200,000 equivalent in the aggregate;

(b) for laboratory equipment, up to \$1,300,000 equivalent in the aggregate;

(c) for goods, up to \$2,000,000 equivalent in the aggregate; and

(d) for laboratory supplies, up to \$2,400,000 equivalent in the aggregate.

2. Notwithstanding the foregoing provision of paragraph 1 of this Part C, drugs estimated to cost the equivalent of \$1,000,000 in aggregate may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Contracts estimated to cost the equivalent of \$100,000 each or less may be procured on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 up to the following amounts: (i) for laboratory supplies up to \$21,700,000 in the aggregate; (ii) for goods and vehicles up to \$6,100,000 in the aggregate; and (iii) for laboratory equipment up to \$600,000 in the aggregate.

4. Procurement of Works

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

5. Force Account

Notwithstanding the foregoing provisions of subparagraph 3 of this Part C, works which meet the requirements of paragraph 3.8 of the Guidelines and costing \$480,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to 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 works and goods estimated to cost equal or more than \$200,000 equivalent; and (b) the first three contracts to be procured by each Project State, 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall implement the Project and shall cause the Project States to implement the Project according to the policies and norms of the Program including the revised strategy or RNTP, and shall not make changes to the policies or guidelines of the Program which, in the reasonable opinion of the Association, would adversely affect the Project.

2. The Borrower shall ensure that: (a) the SCC treatment regimen provided for in the SCC Districts would not include Rifampicin without DOT in the continuation phase; (b) the RNTP patient registration system would be utilized in those districts for quarterly reporting on case finding, smear conversion, treatment outcome, and medication ordering; and (c) supply of SCC drugs by the Project to a district shall be liable to be discontinued if the district fails to maintain an annual average of 60% cure rate after the first two quarters of implementation.

3. The Borrower shall ensure that: (a) drugs shall be provided on a regular basis for all smear-positive cases in such Districts where RNTP is not being carried out; and (b) conventional drugs have been provided for smear-negative patients based on expected case load.

4. The Borrower shall ensure that, in the Project States where RNTP is being carried out, the Project States shall develop and implement:

(a) a strategy for involvement of NGOs and associations, such as the Indian Medical Association;

(b) a strategy for qualified medical practitioners, which could incorporate the following elements: (i) continuing medical education; (ii) information, education and communication about various aspects of tuberculosis; and (iii) referral mechanisms to RNTP; and

(c) a strategy to promote referral of symptomatic patients to RNTP by other health practitioners;

Provided that none of the foregoing strategies shall involve provision of drugs to private practitioners. These strategies may be reviewed by the Borrower, Project States and Association from time to time and specific annual plans of action for such strategies shall be furnished to the Association no later than March 31 every two years.

5. The Borrower shall ensure that:

(a) only such districts which have met the eligibility criteria for each level of participation shall participate in the RNTP;

(b) the first two appraisals of the Districts eligible to enter the RNTP in accordance with the Program, will be furnished to the Association for review prior to approval by the Borrower; and

(c) the Borrower shall provide a sample of 20% of district project appraisals approved by the Borrower for review by the Association on an ex-post basis.

6. The Borrower shall ensure that:

(a) the Central Unit and RNTP units in the Project States shall be adequately staffed and maintained for the duration of the Project and at least 50% of the additional staff at the Central Unit and units in the Project States carrying out RNTP shall be in position by July 1, 1997, and 90% of the staff shall be in place by December 31, 1997;

(b) by July 31, 1997, a full time State Tuberculosis Officer shall be in position in all Project States carrying out RNTP; and

(c) ordinarily, District Tuberculosis Officers shall remain in their posts for a minimum of two years.

7. The Borrower shall ensure that:

(a) Tuberculosis Societies at the district level shall be established as follows: (i) by March 31, 1997 in the first 39 RNTP districts; (ii) by January 31, 1998 in the next 39 RNTP districts; and (iii) by January 31, 1999 in the remaining 24 RNTP districts; and

(b) no RNTP activities relating to service delivery shall be initiated in a district prior to the establishment of a Tuberculosis Society in such district.

8. The Borrower shall ensure that:

(a) the Central Institutions shall adopt and promote RNTP in activities relevant to the Project and shall agree to carry out their training, monitoring and quality control functions, including the development and maintenance of demonstration sites for field practice, in accordance with procedures acceptable to the Borrower and the Association; and

(b) an annual report on the Central Institutions' performance and recommendations for action shall be furnished to the Association by December 31 of each year during the first three years of the Project, and continued involvement of these institutions in the activities of the Project will be determined by mutual agreement between the Association and Borrower based on their performance.

9. The Borrower shall establish: (a) an appropriate information system no later than November 30, 1997; and (b) by December 31, 1998, an information system to allow electronic reporting, based on technical specifications to be agreed with the Association.

10. The Borrower shall ensure that the RNTP new curricula, including the new curricula for participatory training in interpersonal skills, shall be used in training of all categories of staff no later than September 30, 1997.

11. The Borrower shall allocate, and cause the Project States to allocate, each year sufficient funds for the Program.

12. The Borrower shall cause the Project States to:

(a) implement a strategy in tribal areas in accordance with the Plan of Action for Delivery of Tuberculosis Services in Tribal Areas

approved by the Association, and to furnish detailed plans to implement said strategy in tribal areas as part of the eligibility criteria for a district's participation in the RNTP; and

(b) carry out biannual beneficiary assessments based on terms of reference approved by the Association starting after the second year of the Project to determine the effectiveness and progress of said strategy.

13. The Borrower shall carry out annual assessment of the drug procurement, storage and distribution system through an independent agency and with terms of reference acceptable to the Association.

14. The Borrower shall carry out an independent review of the Project within the first two and a half years of the Project and the review shall be conducted by a panel of national and international experts; and the findings of such review shall be furnished to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 \$6,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$3,500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 22,000,000.

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

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount to or less than the equivalent of \$2,100,000 shall be made exclusively out of the Special Account. The Association from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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

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

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

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

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

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

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide

such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

