

INTERIM FUND CREDIT NUMBER N018 IN

Interim Fund
Development Credit Agreement

(Reproductive and Child Health Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the
Interim Trust Fund Established with Funds Contributed by
Certain Members of the International Development Association
Pursuant to Resolution No. IDA 184 of the Board of Governors
of International Development Association

Dated July 30, 1997

INTERIM FUND CREDIT NUMBER N018 IN

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 30, 1997, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the Interim Trust Fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996.

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

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

(C) the Project will be carried out jointly by the Borrower and the Project States (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project States a part of the proceeds of the Interim Fund Credit as provided in this Agreement;

(D) the Borrower intends to obtain from each of the Project States certain undertakings in respect of the carrying out of their respective portions of the Project; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund Credit to the Borrower upon the terms and conditions set forth in this Agreement;

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

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

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5(c) of said Resolution; and "Participating Countries" means, collectively, all such countries;

(d) The last sentence of Section 3.02 is deleted.

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

"Except as the Administrator and the Borrower 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 Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(g) Section 6.03 is modified to read as follows:

"Section 6.03. Cancellation by the Administrator. If (a) the right of the Borrower to make withdrawals from the Interim Fund Credit Account shall have been suspended with respect to any amount of the Interim Fund Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Interim Fund Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Interim Fund Credit, or (c) at any time the Administrator determines, with respect to any contract to be financed out of the proceeds of the Interim Fund Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Interim Fund Credit during the procurement or the execution of such contract, without the Borrower

having taken timely and appropriate action satisfactory to the Administrator 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 Interim Fund Credit, or (d) at _____ any time, the Administrator determines that the procurement of any contract to be financed _____ out of the proceeds of the Interim Fund Credit is inconsistent with the procedures set forth or referred to in the Interim Fund 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 Interim Fund Credit, or (e) after the Closing Date, an _____ amount of the Interim Fund Credit shall remain unwithdrawn from the Interim Fund Credit _____ Account, the Administrator 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 Interim Fund 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) "District" means an administrative unit or a municipal corporation within a Project State (as hereinafter defined), including any successors thereto;

(b) "IEC" means information, education and communication;

(c) "Letter of Undertaking" means the Letter of Undertaking to be executed and furnished to the Borrower by each of the Project States (as hereinafter defined) pursuant to Section 3.01(b) of this Agreement;

(d) "Project State" means any State or Union Territory of the Borrower, including any successor or successors thereto, which participates in the Project and from which the Borrower has obtained a Letter of Undertaking;

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

(f) "Sub-Projects" means the specific development projects to be carried out under Part B of the Project as described in Schedule 2 to this Agreement.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to one hundred seventy-nine million five hundred thousand Special Drawing Rights (SDR 179,500,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Interim Fund Credit.

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

Section 2.03. The Closing Date shall be March 31, 2003 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Interim Fund Credit not withdrawn from time to time at

a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Interim Fund Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 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 Interim Fund Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 2007, and ending May 1, 2032. Each installment to and including the installment payable on May 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 Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Administrator of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Administrator notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Administrator may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, such revision shall not change the grant element obtained under the 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 Administrator may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, family welfare and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon any provisions of this Agreement, the Borrower shall cause each Project State to carry out its respective portion of the Project in accordance with a Letter of Undertaking satisfactory to the Association Administrator, to be executed and furnished to the Borrower and the Association by each Project State, and the provisions set forth in Schedule 4 to this Agreement.

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

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

(e) The Borrower shall make part of the proceeds of the Interim Fund 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 States or Union Territories, as the case may be.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Interim Fund Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan for the future operation of the Project Borrower's reproductive and child health program; and

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

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 Project States responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have and cause the Project States to have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish or cause to be furnished to the Administrator, as soon as available, but in any case not later than [six]six 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 Administrator shall have reasonably requested; and

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

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

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

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

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association and the Administrator

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

(a) Any Project State shall have failed to perform any of its obligations 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.

(d) Any Letter of Undertaking shall have been amended, suspended, abrogated or repealed without the prior approval of the Administrator so as to adversely affect the Project.

Section 5.02. Pursuant to Section 7.01(d) of the General Conditions, the following additional events are specified:

(a) any of the events specified in paragraphs (a), (c) and (b) the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur; and

(b) Any of the events specified in paragraphs (a) and (c) of Section 5.01 of this Agreement shall occur and continue for a period of sixty days after notice thereof shall have been given by the Administrator to the Borrower.

ARTICLE VI

Effective Date; Termination
Designation of Administrator

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.

Section 6.02. The obligations of the Borrower under Schedule 4 to this Agreement shall cease and determine on the date on which the Interim Fund Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Association and the Administrator:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

~IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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
as Administrator of the Interim Trust Fund Established with Funds
Contributed by Certain Members of the International Development
Association Pursuant to Resolution No. IDA 184 of the Board of
Governors of International Development Association

By /s/ Mieko Nishimizu

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	26,500,000	90%
(2) Vehicles, furniture equipment and other goods and expendi- for other items procured locally	16,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), 80% of local tures
(3) Drugs	37,850,000	90%
(4) Consultants' services,	24,600,000	90%
(4) Consultants' services, including IEC	30,900,000	100%
(5) Training and workshops	24,700,000	100%
(6) Surveys and studies	4,400,000	100%
(7) Pilot Program for referral transport	900,000	90%
(8) Incremental salaries and operating expenses operating expenses	35,800,000	80% through September 30, 1999, and 25% thereafter
(9) Unallocated	15,600,000	

TOTAL 179,500,000
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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 salaries and operating expenses" means the cost of salaries, fees and honoraria paid in respect of posts created for the purposes of the Project, including contractual services, reporting fees for traditional birth attendants, mothers' meetings, disposable delivery kits, consumables, fuel and handling charges to States and Medical on or after September 30, 1996, and the cost of hiring vehicles and operation and maintenance of the vehicles and equipment purchased under the Project.

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

(a) 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 7,200,000 may be made in respect of Categories (4), (5), (6) and (8), on account of payments made for expenditures before that date but after September 30, 1996; and

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

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for goods, and works and services under contracts costing less than \$300,000 equivalent each, vehicles under contracts costing less than \$100,000 equivalent each and services under contracts not exceeding \$200,000 equivalent each equivalent for employment of firms and \$50,000 equivalent for employment of individual consultants, respectively, and training, workshops, surveys and studies, referral transport and incremental salaries and operating expenses, under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in reducing maternal and infant mortality and morbidity, and unwanted fertility, thereby contributing to stabilization of population growth, through assistance to the Borrower's Family Welfare Program to (a) improve management performance by nationwide implementation of the "target-free participatory approach" to reproductive and child health planning approach" and institutional strengthening; (b) improve the quality, coverage and effectiveness of existing family welfare services; (c) progressively expand the scope and content of existing family welfare services to include more elements of a defined package of essential reproductive and child health services; and (d) in selected disadvantaged Districts, increase access to reproductive and child health services by strengthening the existing family welfare infrastructure while improving its quality.

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

Part A: Nationwide Component

1. Improving Management Performance

a. Decentralized Planning and Modified Monitoring System: increasing the

coverage and utilization of reproductive and child health services nationwide through the provision of training and technical support for more responsive decentralized activity planning based on local data made available through expansion of the existing Management Information System (MIS) to include monitoring of service quality through regular client and community polls, technical assessment of service delivery facilities and provider competence, and rapid assessments of community and Non-Governmental Organization (NGO) perceptions. perceptions, and rapid surveys to assess Project processes and outcomes.

b. Institutional Strengthening: improving the effectiveness and efficiency of the Borrower's family welfare program through:

(1) Procurement and Technical Support: establishing Procurement Support Agencies (PSAs) to strengthen national and State-level capacity for procurement of goods and services; and the provision of the services of specialized technical institutions and consultants for training, information, education and communication (IEC), Project monitoring, management assistance, civil works supervision and surveys and studies;

(2) Reproductive and Child Health Research for Management Operations Research in Reproductive and Child Health: establishing a mechanism for identifying research priorities, disseminating research results and promoting the use of research findings in policy and program management; and research, studies, workshops and publications in respect of reproductive and child health programs; and

(3) Enhanced Program Management Capacity: strengthening the Ministry of Health and Family Welfare and approximately six, selected state-level Family Welfare Departments and approximately 64 District level Family Welfare Bureau offices through provision of salaries for incremental staff and consultant services for strengthening planning, monitoring and supervision capacity at the national, state and District levels, and support of an advisory mechanism at the national level for the appraisal of District Sub-Projects.

2. Improved Quality, Coverage and Effectiveness

a. Essential Package of Reproductive and Child Health Services: improving the quality, utilization and scope of reproductive and child health services, through:

(1) Training: the upgrading and rental of training facilities and, the provision of training and related materials and equipment, salaries for core teams of trainers, and trainee and trainer allowances tofor health and family welfare workers at the community, sub-center, primary health center and first-referral unit levels, and for block and District-level managerall levels;

(2) Information, Education and Communication (IEC): developing IEC plans at the District level, through the provision of consultant services and resources for needs assessments, materials development and media support, training, communication activities by NGOs, private parties and community groups and evaluations of District level communications strategies; and

(3) Upgrading Service Delivery: renovating health facilities and provision of equipment and drugs, contractual services and, reporting fees for traditional birth attendants, referral funds for reproductive and child health activities and support to selected NGOs and private sector schemes to increase access to reproductive and child health services as specified in relevant State Project Implementation Plans (SPIPs) or annual work plans.

Part B: Local Capacity Enhancement

The financing of specific development projects in approximately 24 Districts to support health infrastructure expansion, additional mobility for health workers and innovative approaches to health care delivery through NGOs and community workers, such financing to include:

1. refurbishing and upgrading existing health facilities and constructing new health facilities;

2. training, and carrying out IEC and social marketing activities for contraceptives and other reproductive and child health-related products;
3. support to selected NGO schemes for increasing community involvement and access to reproductive and child health services;
4. provision of honoraria for community health workers and private medical practitioners, and support for emergency transport and women's health committee work; and
5. provision of consultant and contractual services, vehicles, furniture, medical and non-medical equipment and materials, drugs, supplies and rentals of facilities.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, 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 provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost more than \$25,000 equivalent per contract, and drugs and medical and non-medical equipment, furniture, goods and materials estimated to cost \$300,000 equivalent or less per contract, and books and printing services estimated to cost \$50,000 equivalent or more but less than \$300,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Drugs and medical and non-medical equipment, furniture, goods and materials estimated to cost \$2550,000 equivalent or less per contract, books and printing services estimated to cost less than \$50,000 equivalent per contract and vehicles estimated to cost \$100,000 equivalent or less per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost \$25,000 equivalent or less per contract, up to an aggregate amount not to exceed \$18,110,000 equivalent, may:

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

(b) with the Administrator's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$3,000,000 equivalent; or

(c) with the Administrator's prior agreement and as a last resort, be carried out by force account in a manner satisfactory to the Administrator, up to an aggregate amount not to exceed \$3,000,000 equivalent.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to (a) the first three contracts for works estimated to cost the equivalent of \$25,000 or more each to be entered into by each Project State, (b) the first three contracts for goods estimated to cost more than \$50,000 equivalent each to be entered into by each Project State, (c) each contract for works estimated to cost more than \$300,000 equivalent, (d) each contract for medical equipment, drugs and goods estimated to cost more than \$300,000 equivalent, and (e) each contract for vehicles estimated to cost more than \$100,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 2.13 through 2.18 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 NGOs and consultants for services for training, IEC and surveys and studies, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of

the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

3. Selection Based on Consultants' Qualifications

Services for publicity, training and workshops may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Single Source Selection

Services for printing and publishing, surveys and research activities, training and validation workshops which are estimated to cost \$15,000 or less per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, professional services contracts for services including training and IEC, and services for surveys and research activities and NGO contracts in areas with a limited NGO presence which are estimated to cost less than \$50,000 equivalent per contract and NGO contracts in areas with a limited NGO presence, may, with the Bank's, may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. Service Delivery Contractors

Services for referral transport and services to be provided by health specialists and medical personnel shall be procured in accordance with procedures acceptable to the Administrator.

6. Individual Consultants

Services for project management and civil works supervision shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$200,000 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 estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) 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 Administrator for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 12 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall

apply.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.10 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out the proceeds of the Interim Fund Credit.

SCHEDULE 4

Implementation Program

Project Management Structure

1. The Borrower shall maintain its existing Reproductive and Child Health Inter-ministerial Steering Committee, Reproductive and Child Health Task Force (with membership from external agencies participating in the reproductive and child health program), and Reproductive and Child Health Project Management Committee throughout the period of Project implementation, to coordinate and oversee the Project at the national level. The membership and staffing of each committee shall be satisfactory. No substantial change in the composition and stature of such Committees and Task Force shall be made without the prior approval of the Administrator. Participatory Planning Manual and District Training Plan

2. The Borrower shall implement its family welfare program in accordance with the principles enunciated in the Participatory Planning Manual and the District Training Plan (May 1996), as these may be revised from time to time with the agreement of the Administrator.

Project Implementation Plans, Part A of the Project (Nationwide Component)

3. The Borrower shall implement its family welfare program in accordance with its Project Proposal and National Project Implementation Plan dated April 1997, and shall carry out Part A of the Project (Nationwide Component) in accordance with the Project Implementation Plan, Nationwide Component (NPIP) agreed with the Administrator. The Borrower shall ensure that each Project State carries out its activities under Part A of the Project in accordance with its respective State Project Implementation Plan (SPIP) agreed with the Borrower and the Administrator and included in the NPIP.

Project Implementation Plans, Part B of the Project (Local Capacity Enhancement)

4. The Borrower shall carry out Part B of the Project (Local Capacity Enhancement) in accordance with the Project Implementation Plan, Local Capacity Enhancement (LCE-PIP) agreed with the Administrator. The Borrower shall ensure that each of the Project States participating in Part B of the Project shall carry out its activities under Part B of the Project in accordance with its respective Sub-Project -Project Implementation Plan (SP-PIP) agreed with the Borrower and the Administrator and included in the LCE-PIP. The Borrower shall further ensure that such SP-PIPs shall include provisions obligating each such Project State to:

(a) ensure that at least 75% of sanctioned auxiliary nurse-midwives serving sub-centers and primary health centers are in position prior to the start of the relevant Sub-Project in such Project State, and that a further 10% of such posts will be filled within two years; and

(b) maintain at a minimum its fiscal year 1994-95 level of budgetary allocation for drugs and materials for primary health centers and District and subdistrict hospitals through the duration of the Project; and

(c) stop the payment of motivator fees to non-health personnel. Letters of

Undertaking

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

(a) Each Project State shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to that end, it shall agree to undertake its portion of the Project with due diligence and efficiency and in conformity with appropriate health and family welfare practices, and to provide, promptly as needed, the funds, facilities, services and other resources required therefor.

(b) Each Project State shall agree to assume all the obligations applicable or relevant to the Project States under this Agreement and to take all actions necessary to undertake its portion of the Project. Each Project State shall further agree to carry out its portion of the Project as follows:

(1) Each Project State shall (i) carry out activities under the Project in accordance with its SPIP agreed with the Borrower and forming part of the NPIP, and shall (ii) carry out civil works under the Project in accordance with the technical manual (as applicable) developed by the Borrower, as such manual may be revised from time to time in manual^ developed by the Borrower during preparation of the Project agreement with the Administrator; and

(2) Each Project State shall appoint key additional staff according to a schedule satisfactory to the Borrower and the Administrator.

(c) Each Project State shall undertake to procure the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Interim Fund Credit under this Agreement in accordance with the provisions of Schedule 3 to this Agreement.

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

(e) Each Project State shall agree to assume and undertake the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) of the General Conditions in respect of its Letter of Undertaking and its portion of the Project.

(f) Each Project State shall agree to assume and undertake to comply or assist the Borrower in complying with the financial covenants prescribed by Article IV of this Agreement.

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

(h) Each Project State shall agree promptly to inform the Borrower and the Administrator of any condition which interferes or threatens to interfere with the progress of its portion of the Project, the accomplishment of the purposes of the Interim Fund Credit under this Agreement, or the performance of its obligations under its Letter of Undertaking.

(i) Each Project State shall agree that it shall, from time to time, at the request of either the Borrower or the Administrator, (i) exchange views with the Borrower and/or the Administrator (through the Borrower) with regard to the progress of carrying out activities under its portion of the Project, its performance under its Letter of Undertaking and other matters relating to the purposes of the Interim Fund Credit under this Agreement, and (ii) furnish all such information related thereto as may reasonably be required by the Borrower to fulfill its supervision, monitoring and reporting obligations to the Administrator. Each Project State shall also agree to afford all reasonable opportunity for representatives of the Administrator to

Administrator. visit any part of its territory for purposes related to the Project.

(j) Each Project State shall agree to maintain its Project Management/ Steering/Coordinating Committee to oversee Project activities within such Project State and to coordinate Project activities with the Borrower's Inter-ministerial Steering Committee and Project Management Committee. The membership and staffing of each such Project Coordinating Committee shall No substantial change shall be made in the composition and be acceptable to the Borrower and the Administrator.

(k) Except as the Borrower and the Administrator shall otherwise agree, each Project State shall agree either to (i) utilize the services of the national-level Procurement Support Agency (PSA) established under Part A1(b)(1) of the Project, or to establish; (ii) engage a State-level Procurement Support Agency with terms of reference, resources and staff satisfactory to the Borrower and the Administrator, for procuring the goods, work; or (iii) in the case of those Project States with existing procurement units acceptable to the Borrower and Administrator, utilize such existing procurement units, for procuring the goods and consultants' services required for the Project.

(l) Each Project State shall agree to establish a mechanism acceptable to the Borrower and the Administrator for the transfer of funds from the State level to the project implementing agencies at District or institutional levels. Without limitation upon the provisions of Section 4.01 of this Agreement, each Project State shall agree to open establish and maintain a separate Project account in each District, Zilla Parishad or institution receiving Interim Fund Credit proceeds, and each Project State shall agree to prepare monthly consolidated state expenditure reports in respect of all such Project accounts. Budgetary Allocations 6. [Except as the Administrator may otherwise agree, the Borrower shall during each of fiscal years 1997-2001, without utilizing for such purpose the proceeds of any credit extended to the Borrower by the International Development Association or the Administrator, maintain in real terms the fiscal year 1995-96 levels of expenditures for vaccines and drug kits previously financed under the national Child Survival and Safe Motherhood Program as agreed to with the International Development Association, and shall maintain at the fiscal year 1997 level the ratio of national family welfare programme expenditures to total [central sector plan] expenditures, without utilizing for such purpose the proceeds of any credit, grant or loan extended to the Borrower by any external source.

Resources

6. The Borrower shall allocate, and shall cause the Project States to allocate, each year sufficient resources for the Borrower's childhood immunization program.

Removal of Method-Specific Contraceptive Targets

7. Except as the Administrator may otherwise agree, the Borrower shall maintain its policy approach of removal of method-specific contraceptive targets for family welfare workers and non-health personnel.

Use of Agreed Implementation Criteria

8. All Sub-Projects proposed for financing out of the proceeds of the Interim Fund Credit shall be assessed and recommended for such financing on the basis of criteria agreed with the Administrator, and the work programs and budgets for the SPIPs and for all Sub-Projects shall be reviewed and approved by the Borrower in accordance with criteria agreed with the Administrator

Drugs and Medical Equipment

9. The Borrower shall ensure that only the drugs and medical equipment appearing on the lists agreed with the Administrator shall be financed out of the proceeds of the Interim Fund Credit. The Borrower shall obtain the prior consent of the Administrator to purchase out of the proceeds of the Interim Fund Credit any drugs and medical equipment otherwise eligible for financing under the Interim Fund Credit but not appearing on such lists.

Implementation of Technical Assessments

10. The Borrower shall ensure that the technical assessments of service quality, client polls, community surveys and studies conducted annually under Part A(1)(a) of the Project are implemented to the satisfaction of the Administrator, and shall provide periodic reports on such implementation to the Administrator.

Independent Audit of Essential Obstetric Drugssessment of Essential Obstetric Drugs Utilization

11. The Borrower shall during the second and fourth years of Project implementation] cause to be carried out, by an independent auditing agency acceptable to the Administrator and engaged under terms of reference satisfactory to the Administrator, in a sampling of primary health centers and first referral units in the Project States, an audissessment of essential obstetric drug procurement, storage and utilization. The Borrower shall promptly provide the report of each such audissessment to the Administrator.

Tribal Peoples

12. The Borrower shall, and shall cause each Project State to, implement the Project in any tribal areas (as designated by such Project State in accordance with applicable laws) in accordance with procedures and delivery strategies acceptable to the Administrator. To this end, each Project State shall ensure that all investments under the Project in tribal areas are appraised and implemented in accordance with a plan, satisfactory to the Administrator, for the delivery of Project benefits to tribal peoples.

Coordination of Support for Reproductive and Child Health Program

13. The Borrower shall, in conjunction with each Project State, coordinate Project activities with the activities provided with the support of other external aid agencies in respect of the reproductive and child health program in each such Project State, in order to ensure against duplication of efforts and resources in respect of medical equipment, drugs, facilities upgrading and contractual staff.

Staffing of Family Welfare Departments

14. The Borrower shall appoint, and shall cause the Project States to appoint, additional staff and consultants to the family welfare departments at the national, State and District levels for program management and technical support in accordance with the schedule agreed with the Administrator. The qualifications and experience of such additional staff and consultants shall be satisfactory to the Administrator, and tAdministrator. The staffing levels agreed with the Administrator shall be maintained throughout the period of Project implementation.

Monitoring and Evaluation

15. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, 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

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to [\$10,000,000]\$12,000,000 in respect of the Special Account for the Project to be withdrawn from the Interim Fund Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$7,000,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 46,000,000.

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 \$2,000,000 shall be made exclusively out of the Special Account. The Association may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Interim Fund Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund Credit

Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

