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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
THE THIRD NATIONAL HIV/AIDS CONTROL PROJECT
{LOAN/CREDIT}

SDR 167,900,000 MILLION
(US\$ 250,000,000 MILLION EQUIVALENT)

BOARD APPROVAL: April 26, 2007

TO THE
REPUBLIC OF INDIA

May 30, 2010

ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immuno-Deficiency Syndrome
ART	Anti-retroviral treatment
CBO	Community Based Organization
DFID	United Kingdom Department for International Development
MOHFW	Ministry of Health and Family Welfare
GOI	Government of India
HIV	Human Immuno-Deficiency Virus
ICB	International Competitive Bidding
IDA	International Development Association
IEC	Information, Education and Communication
NACO	National AIDS Control Organization
NACP	National AIDS Control Program
NCB	National Competitive Bidding
NGO	Non Governmental Organization
SACS	State AIDS Control Societies

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RESTRUCTURING PAPER

SUMMARY

The proposed restructuring would amend the Financing Agreement to allow for: (i) a modification of the percentage to be financed by IDA under pooled financing; (ii) a streamlining of audit arrangements of the State AIDS Control Societies (SACS); as well as (iii) an increase in methods of procurement under the project.

PROJECT STATUS

By mid-term of implementation (November, 2009), NACP III had made excellent progress towards its goal to halt and reverse the HIV epidemic by 2011. There are indications that overall HIV prevalence is steadily declining in the general population and in some of the high risk groups. The anti-retroviral treatment (ART) target for midterm had even been bypassed (268,000 people on ART by September 2009 against a target of 230,000).

PROPOSED CHANGES

Financing

- While progress in implementation has been satisfactory, disbursement for IDA and DFID was slower than expected mainly because the pooling partners were not able to reimburse certain IEC expenditures incurred at central level by the National AIDS Control Organization (NACO). The pooling partners were also not able to finance other items such as procurement of drugs at SACS level. In order to make GOI funds available for these activities, NACO has now requested the pooling partners to increase their combined share of contributions to the program from the current 83% to 100% for all other eligible expenditures. This requires IDA to increase its overall share from the existing 48% to 55%, while DFID would increase its contribution from 35% to 45% for the respective eligible expenditures. GOI requests the modification of the reimbursement percentages to be effective retro-actively for all expenditures incurred from April 1, 2008. Disbursement of the pooled financing is done on annual basis, and IDA's disbursement for the FY 2008-2009 is not yet completed. The increased percentage of expenditures to be financed by the pooled partners will have no effect on their overall financial contribution to the project.

Category	Amount of the Financing Allocated (expressed in SDR)	Current Percentage of Expenditures to be Financed	Proposed Percentage of Expenditures to be Financed
(1) Pharmaceuticals and medical supplies under the Program for Parts 1 and 2 of the Project	33,600,000	48% of eligible medical expenditures in each fiscal year or any other percentage that the association may establish from time to time	55% of eligible medical expenditures in each fiscal year or any other percentage that the association may establish from time to time
(2) Other Goods, Works, TI/CST Services, other Services, training and Operation Costs under the program for Parts 1,2,3(i) and 4 of the project	131,556,274.77	48% of Other Eligible expenditures in each fiscal year or any other percentage that the association may establish from time to time	55% of Other Eligible expenditures in each fiscal year or any other percentage that the association may establish from time to time
(3) Consultant Services under part 3(i) of the Project	2,700,000	100%	100%
Misprocurement cancelation under Category (2) value dated March 5,2010	43,725.23		
TOTAL AMOUNT	167,900,000		

○ Reallocations

See above.

The percentages of reimbursement for eligible expenditures will be modified as explained in the text and table above. However, the disbursement arrangements themselves will not change.

● Financial management

In order to streamline the auditing process for the State AIDS Control Societies (SACS) GOI has proposed to merge the management audit for the SACS with the existing internal audit.

● Procurement

Based on the experiences gained by NACO and SACS during implementation of NACP III, the procurement arrangements originally agreed for the project are proposed to be revised in order to increase the number of methods allowed:

- i) For consultant selection methods Selection under Fixed Budget and hiring of UN Agencies will also be allowed.
- ii) Non-ICB procurement of medical supplies, which are not governed by WHO-GMP will be permitted.
- iii) For NGO/CBO contracting for TI/CST services, the yearly ceiling will be increased from the existing USD75 000 to USD 100 000 to take care of inflation since this ceiling was fixed .

In addition, the prior review threshold for single source consultancy contracts issued to the firms is proposed to be increased from US\$ 75,000 to US \$100,000. All the modifications in procurement arrangements will be effective from January 1, 2010.