

Public Disclosure Authorized

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**CREDIT NUMBER 4228-IN**

# **Development Credit Agreement**

**(Second National Tuberculosis Control Project)**

**between**

**INDIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 16, 2006**

Public Disclosure Authorized



**CREDIT NUMBER 4228-IN**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated October 16, 2006, between INDIA, acting by its President (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower has established and is implementing the Revised National Tuberculosis Control Program Phase II ("the Program"), aimed at decreasing mortality and morbidity due to tuberculosis ("TB") and interrupting the transmission of TB infection;

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

(C) certain activities under the Project will be carried out by the States and the Union Territories of the Borrower (the Project States) and their respective State Implementation Societies (as hereinafter defined) with the Borrower's assistance, and as part of such assistance, the Borrower will make available for the benefit of each of the Project States part of the proceeds of the Credit as provided for in this Agreement;

(D) the Borrower intends to obtain from each of the Project States and their respective State Implementation Societies certain undertakings in respect of the carrying out of their respective obligations under the Program; 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 Development Credit Agreement (hereinafter referred to as "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 (the General Conditions), dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below, constitute an integral part of this Agreement:

a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."

(b) Section 6.03(c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

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) "Advocacy and IEC Unit" means the unit established and maintained by the MOHFW (as defined hereinafter) and referred to in paragraph 1(a) of Schedule 4 to this Agreement;

(b) "Consolidated Report on Audits" means the report covering the Audits referred to in Section 4.01(c) of this Agreement;

(c) "CTD" means the Central TB Division within the Borrower's Ministry of Health and Family Welfare, which is responsible for, *inter alia*, the overall implementation of the Program;

(d) "District" means an administrative unit within a state of the Borrower, including any successors thereto;

(e) "District Society" means a society in a District which is incorporated under the Borrower's Societies Registration Act 1860 (21 of 1860), and is responsible for, *inter alia*, the implementation of the Program in such District;

(f) "DOTS" means Directly Observed Treatment, Short-Course;

(g) "Drugs and Cosmetics Act" means the Borrower's Drugs and Cosmetics Act, 1940 (Act No.23 of 1940), as amended from time to time;

(h) “Eligible Category” means Category (1) and (2) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(i) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(j) “Empowered Procurement Wing” means the procurement wing within the Borrower’s Ministry of Health and Family Welfare which is responsible for, *inter alia*, supervision of the Procurement, Supply and Logistic Unit;

(k) “Finance Unit” means the unit established and maintained by the Borrower and referred to in paragraph 1(c) of Schedule 4 to this Agreement;

(l) “Financial Management Manual” means the “Finance and Accounts Manual” for the Project dated November 8, 2005 prepared by the Ministry of Health and Family Welfare;

(m) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(n) “Fiscal Year” or “FY” means the fiscal year of the Borrower, which commences on April 1 of a calendar year and ends on March 31 of the following calendar year;

(o) “Governance and Accountability Action Plan or “GAAP” means the Borrower’s plan, dated July 15, 2006, setting out the arrangements agreed between the Borrower and the Association to ensure competition and transparency in the procurement of goods and services under the Program, as such Plan may be strengthened as necessary;

(p) “Human Resource Development Unit” means the unit established and maintained by MOHFW (as defined hereinafter) and referred to in paragraph 1(e) of Schedule 4 to this Agreement;

(q) “IEC” means Information, Education & Communication;

(r) “IEC Advisory Group” means the advisory group established and maintained by MOHFW (as defined hereinafter), and referred to in paragraph 1(b) of Schedule 4 to this Agreement;

(s) “IFB” means an invitation for bid;

(t) “ICIWM” means the Infection Control and Infectious Waste Management Plan dated May 10, 2005 of the Borrower’s Ministry of Family Health and Welfare, which, *inter alia*, identifies the key environmental and health impacts of the Project and actions to be taken, including interventions in the areas of infection

management, and healthcare waste management which plan may be updated from time to time with the prior approval of the Association;

(u) “Letter of Undertaking” or “LOU” means the letter of undertaking to be executed and furnished by each Project State and its respective SIS (as hereinafter defined) to the Borrower pursuant to Section 3.01(c) of this Agreement confirming, *inter alia*, its participation in implementing the Program in accordance with Program Implementation Plan (as hereinafter defined) and this Agreement;

(v) “MOHFW” means the Borrower’s Ministry of Health and Family Welfare;

(w) “Other Donors” means donors other than the Association, supporting the Program, including the World Health Organization, the United States Agency for International Development, the United Kingdom Department for International Development, and the Global Fund for AIDS, Tuberculosis and Malaria;

(x) “Panchayati Raj Institutions” means the institutions constituted in the states of the Borrower pursuant to the provisions of Part IX of the Constitution of India and other laws of the Borrower and the states, as amended;

(y) “Program Implementation Plan” or the acronym “PIP” means the “RNTCP II – Program Implementation Plan,” dated May 31, 2005 prepared by the MOHFW for implementation of the Program, which sets forth, *inter alia*, the planning and financing norms of the Program and which includes the Governance and Accountability Action Plan, as such PIP may be amended from time to time;

(z) “Procurement Audit” means the audit to be carried out by the Borrower pursuant to paragraph 10 of Schedule 4 to this Agreement;

(aa) “Procurement, Supply and Logistic Unit” means the unit established and maintained by MOHFW and referred to in paragraph 1(d) of Schedule 4 to this Agreement;

(bb) “Procurement Manual” means the manual, dated July 15, 2006 prepared by the MOHFW which sets forth, *inter alia*, methods and procedures for the procurement of goods, works and services under the Program as said manual may be updated from time to time with the prior agreement of the Association;

(cc) “Procurement Plan” means the MOHFW’s procurement plan, dated May 31, 2005 covering the entire period of Project implementation, as the said plan shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement;

(dd) “Project Executing Agencies” means any entity of the Borrower responsible for the implementation of the Project, and includes MOHFW, State Implementing Societies, and District Societies;

(ee) “Report-based Disbursements” means the Borrower’s option for the withdrawal of funds from the Credit Account referred to in Part A.5(a) of Schedule 1 to this Agreement;

(ff) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(gg) “SIS” means a State Implementation Society in each Project State incorporated under the Borrower’s Societies Registration Act 1860 (21 of 1860), which Society is responsible for, *inter alia*, the implementation and execution of the Program in each such Project State;

(hh) “Supervision, Monitoring and Epidemiological Surveillance Unit” means the unit established and maintained by MOHFW, and referred to in paragraph 1(f) of Schedule 4 to this Agreement; and

(ii) “TDP” means the Tribal Development Plan of the Borrower dated April 28, 2005, which, *inter alia*, delineates strategies to increase access to and improve the use of TB healthcare services by vulnerable groups including tribal populations, as such plan may be updated from time to time with the prior approval of the Association.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to each of the Project Executing Agencies.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to one hundred fifteen million seven hundred thousand Special Drawing Rights (SDR 115,700,000).

Section 2.02. 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, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be March 31, 2012 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 (60) 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 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 2017 and ending August 15, 2041. Each installment to and including the installment payable on August 15, 2026 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 (6) 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 (5) 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 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 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 objective of the Project as set forth in Schedule 2 to this Agreement, and to this end, shall: (i) carry out and cause to be carried out, the Project, through the Project Executing Agencies, with due diligence and efficiency, and in conformity with appropriate administrative, financial, and health practices, and procurement, and environmental standards; and (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out and cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without limitation or restriction upon any of its other obligations under this Agreement, the Borrower, through MOHFW, shall cause each Project State and its respective SIS to: (i) execute and furnish to MOHFW a Letter of Undertaking in form and substance satisfactory to the Association; and (ii) carry out their respective activities under the Project in accordance with the relevant Letter of Undertaking and the provisions of this Agreement.

(d) Without limitation or restriction upon any of its obligations under this Agreement, the Borrower shall take all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Project State and its respective SIS to perform all of their respective obligations set forth in this Agreement and in the relevant Letter of Undertaking. The Borrower shall not take, nor permit to be taken, any action which would prevent or interfere with such performance.

(e) The Borrower shall establish and implement arrangements, satisfactory to the Association, to make available for the benefit of each Project State and its respective SIS a portion of the proceeds of the Credit for activities under the Project.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions shall be further elaborated in the Procurement Plan.

(b) The Borrower, through MOHFW, shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, 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 report on the implementation of the Project; and

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by each Project State and its respective SIS pursuant to the terms of their respective Letters of Undertaking.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower, through MOHFW, shall and shall cause each Project State and its respective SIS to maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources, and expenditures of the departments or agencies of the Borrower, of each Project State and its respective SIS responsible for the carrying out of the Project, or any part thereof.

(b) The Borrower, through MOHFW, shall and shall cause each Project State and its respective SIS to:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) upon request, furnish to the Association, as soon as available, but in any case not later than six (6) months after the end of the Fiscal Year to which the request relates: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) The Borrower shall:

- (i) furnish to the Association no later than six (6) months after the end of each Fiscal Year, a Consolidated Report on Audits containing an opinion on the statements, records and accounts and the report of the audit referred to in paragraph (b)(ii) of this Section, which audit includes the Procurement Audit referred to in paragraph 10 of Schedule 4 to this Agreement, of such scope and in such detail as the Association shall have reasonably requested; and
- (ii) furnish to the Association such other information concerning such Consolidated Report on Audits as the Association may from time to time reasonably request.

(d) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) the Borrower shall:

- (i) retain, until at least one year after the Association has received the Consolidated Audit Report for, or covering 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports are included in the audit for each fiscal year referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 4.01 above, the Borrower, through MOHFW, shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than June 30, 2007, and shall cover the period from October 1, 2006, through March 31, 2007; thereafter, each FMR shall be furnished to the Association not later than ninety (90) days after each previous six (6) months, and shall cover such six (6) month period.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02(1) of the General Conditions, the following additional events are specified:

(a) that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) that the Program Implementation Plan shall have been amended, waived or abrogated so as to adversely affect the implementation of the Project or the achievement of the objectives of the Program;

(c) that the Procurement Manual shall have been amended, waived or abrogated so as to adversely affect the achievement of the objectives of efficiency, economy, and transparency of procurement methods and procedures;

(d) the Borrower shall have amended, waived or abrogated or failed to enforce any of the provisions of any Letter of Undertaking so as to adversely affect the implementation of the Project or the achievement of the objectives of the Program;

(e) any Project State or its respective SIS shall have failed to perform any of its obligations under the relevant Letter of Undertaking;

(f) the Association shall have determined that a fraudulent or corrupt activity has occurred in the carrying out of the Project; and

(g) 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 or SIS will be able to perform its obligations under the relevant Letter of Undertaking.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraphs (b) through (f) of Section 5.01 of this Agreement shall occur and shall

continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

## **ARTICLE VI**

### **Effective Date; Termination**

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.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance or successor thereto of the Borrower is each 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 110 001  
India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23094075

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

INDIA

By

/s/ Madhusudan Prasad  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Rachid Benmessaoud  
Acting Regional Vice President  
South Asia

## SCHEDULE 1

### Withdrawal of the Proceeds of the Credit

#### A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works, services, training, and incremental operating costs under the Program for Fiscal Year 2006-2007 to Fiscal Year 2011-2012		80% of Eligible Program Expenditures in each Fiscal Year or any other percentage that the Association may establish from time to time.
(a) pharmaceuticals and medical supplies	20,800,000	
(b) other goods, works, services, training and incremental operating costs	93,700,000	
(2) Consultant Services under Part C of the Project	<u>1,200,000</u>	100%
TOTAL	<u>115,700,000</u>	

2. For the purposes of this Schedule 1, the following terms have the following meanings:

(a) the term "Eligible Program Expenditures" means the aggregate of expenditures for pharmaceuticals, medical supplies, other goods, works and services under Parts A and B of the Project set out in Schedule 2 to this Agreement in each Fiscal Year incurred by the Borrower and in Eligible Project States (as hereinafter defined), in accordance with the provisions of this Agreement and determined in the manner set out in paragraph 4 below; and excluding expenditures that are funded by Other Donors and by Eligible Project States (as hereinafter defined);



(b) the term "Eligible Project State" means a Project State that, together with its respective SIS, has executed and furnished a Letter of Undertaking, satisfactory to the Association, to the Borrower; and

(c) the term "other goods" includes laboratory consumables.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures for pharmaceuticals and medical supplies under Category 1(a) other than those procured by a procurement agent or a UN agency (as referred to in paragraph D(b) of Section I of Schedule 3 to this Agreement), through International Competitive Bidding Procedures, Limited International Bidding procedures, or UN Agencies as set forth in Parts A, B.1 and B.7 of Section II of Schedule 3 to this Agreement unless the Borrower has: (A) established arrangements satisfactory to the Association for addressing concerns relating to Schedule M of the Rules issued under the Drugs and Cosmetics Act; and (B) strengthened the GAAP in accordance with paragraph 3.02(b) of Schedule 4 to this Agreement.

5. Notwithstanding the provisions of the foregoing provisions, and except as the Association may otherwise agree, withdrawals in respect of Eligible Program Expenditures shall be made on a bi-annual basis in accordance with the following provisions:

(a) the Borrower may request withdrawals from the Credit Account to be made on the basis of reports submitted to the Association, in form and substance satisfactory to the Association. Such reports shall include the Financial Monitoring Report covering the relevant six (6) month period and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursement). Except as the Association may otherwise agree, such request in respect of the first six (6) month period of a Fiscal Year shall be made no later than December 31 of such Fiscal Year, and in respect of the second six (6) month period of a Fiscal Year, shall be made no later than June 30 of the following Fiscal Year;

(b) beginning Fiscal Year 2007-2008, no withdrawals shall be made from the proceeds of the Credit for any six (6) month period of a Fiscal Year, unless the Consolidated Report on Audits for the previous Fiscal Year shall have been submitted by the Borrower pursuant to Section 4.01(c) of this Agreement; and

(c) any amounts disbursed by the Association to the Borrower for a Fiscal Year in accordance with the above provisions shall be adjusted for actual levels of Eligible Program Expenditures confirmed by the Consolidated Report on Audits to be submitted by the Borrower pursuant to Section 4.01(c) of this Agreement or by other reports or information submitted by the Borrower pursuant to the Association's request,

such adjustment to be made from the first disbursement for the following Fiscal Year, provided, however, that the Association may at any time request refunds of amounts not confirmed by such Consolidated Report on Audits, other reports or information, and upon such request, the Borrower shall immediately refund such amount. Any such refunds made to the Association shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

6. The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures for goods, works or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Association or the Bank shall have financed or agreed to finance under another credit or loan. If the Association determines at any time that an amount of the Credit was used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association, refund an amount equal to the amount of said payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

B. Special Account

1. The Borrower may open and maintain a special deposit account, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made in accordance with the provisions of the Annex to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01(b) or 4.01(c) 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: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at anytime that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six (6) month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$15,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.
2. 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 in the aggregate do not exceed the Authorized Allocation. 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.
  - (b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the reports required pursuant to Part A.5(a) of Schedule 1 to this Agreement 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 an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5(a) of this Schedule 1 applicable to such withdrawal application and any adjustments to be carried out pursuant to Part A.5(c) of this Schedule 1, is required to be deposited in order to finance Eligible Program Expenditures during the six-month period prior to the date of such reports.
3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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.

**SCHEDULE 2****Description of the Project**

The objective of the Project is to support the Borrower's Revised National Tuberculosis Control Program Phase II (the Program), aimed at treating and reducing the incidence of tuberculosis (TB) throughout its territory.

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

**Part A. Strengthening and Consolidating Program Services**

1. Strengthening the quality and consolidation of TB laboratory services, including:
  - (a) establishing a network of certified intermediate reference laboratories at the state level to facilitate the intensified supervision of laboratory activities at the district level;
  - (b) developing comprehensive laboratory quality assurance mechanisms; and
  - (c) carrying out reporting activities on quality assurance results to the state and central levels of the Program to facilitate targeted interventions for improvement of the Program.
2. Strengthening the Program supervision system, including:
  - (a) implementing a comprehensive computerized data collection system; and
  - (b) carrying out of periodic annual risk of TB infection surveys.
3. Carrying out operational research in the areas of:
  - (a) strengthening service delivery to, and demand for services from, marginal groups and HIV/TB co-infected persons;
  - (b) public-private mix models of TB interventions; and
  - (c) pediatric DOTS and the treatment of multi-drug resistant TB.
4. Strengthening of Program IEC, including:
  - (a) carrying out activities aimed at creating awareness of TB symptoms and demand for free DOTS services;

(b) carrying out public advocacy activities aimed at increasing public support and commitment for TB control; and

(c) carrying out activities aimed at enhancing patient-provider communication and counseling to facilitate patient compliance and ensure the delivery of patient-friendly services.

5. Strengthening of the institutional capacity through:

(a) strengthening CTD, by maintaining units and personnel-in-charge in respect of supervision and monitoring, human resource management and development, financial management, procurement, advocacy and health communication;

(b) strengthening the managerial capacity of the Program staff at the state level and the implementation capacity of Program staff at the district level;

(c) implementing a phased decentralization of the Program's activities;

(d) carrying out training for Program staff; and

(e) carrying out activities to assist public and private medical colleges to: (i) adopt DOTS as the prescribed TB treatment; (ii) provide training to college faculty on DOTS implementation and monitoring; and (iii) support the creation and maintenance of TB task forces.

Part B. Program Outreach to Target Special Groups

1. Carrying out activities aimed at identifying and defining population groups that have, or may have, difficulties in accessing Program services, including providing additional financial and managerial support and incentives to health staff in tribal areas.

2. Carrying out activities aimed at:

(a) identifying and treating unregistered and undetected TB cases;

(b) promoting the involvement of non-public health care providers in the Program and in the provision of DOTS; and

(c) providing support to the Project States to benefit from relevant outreach schemes, develop appropriate tools for implementation and indicators to monitor Program progress, and carry out operational research in the areas of public-private mix-related interventions on case detection, treatment success and equitable access.

3. Carrying out activities aimed at coordinating HIV and TB programs at both the state and district levels for the prevention and control of both diseases.

4. Providing support for the treatment of pediatric TB cases, including the provision of standardized drug regimens and the modification of recording and reporting systems.
5. Carrying out a phased program to establish laboratory capacity at the state level to address multi-drug resistance, including the expansion of access to drug resistance testing and treatment of multi-drug resistance cases.

Part C. Procurement Assistance

Engaging the services of a procurement agent for carrying out procurement of pharmaceuticals, medical supplies, other goods, works and services required for Parts A and B of the Project.

\* \* \*

The Project is expected to be completed by September 30, 2011.

**SCHEDULE 3****Procurement**Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, or the Procurement Manual, as the case may be.

D. (a) All procurement under the Project shall be carried out in accordance with the provisions of this Schedule with the objective of shifting the responsibility of procurement implementation to Indian institutions, including procurement support agencies (PSAs), provided, however, that PSAs shall not be utilized until such time the Association agrees to their use. The Association shall consider shifting such responsibility based on the outcome of the reviews referred to in paragraph 3.02 of Schedule 4 to this Agreement, and progress made in implementing the GAAP as revised pursuant to said paragraph 3.02.

(b) Except as the Association shall otherwise agree, until such time the Association has agreed to the use of Indian Institutions, including PSAs, as referred to in paragraph (a) above, the procurement of all pharmaceuticals, medical supplies, other goods, works and services utilizing the following procedures under this Schedule shall be carried out by a qualified procurement agent(s) engaged by the Borrower in accordance with the Consultant Guidelines, and/or by a UN Agency engaged by the Borrower by negotiation with such Agency:

- (i) international Competitive Bidding and Limited International Bidding procedures;
- (ii) national Competitive Bidding procedures for contracts estimated to cost the equivalent of more than \$100,000 per contract;



- (iii) quality and Cost Based Selection procedures for contracts estimated to cost the equivalent of more than \$100,000 per contract; and
- (iv) individual Consultants Selection procedures for contracts estimated to cost the equivalent of more than \$50,000 per contract.

(c) For the purpose of this paragraph the term “Procurement Support Agency” means an entity hired by the Borrower to provide procurement assistance, with the Borrower retaining the decision making at all stages of the procurement process.

E. All procurement and reviews of contracts for pharmaceuticals, medical supplies, other goods and works shall be subject to the following:

If bids are called concurrently (i.e. for bids opening at the same time and date) for several contracts for similar items for in a package (IFB) and the Borrower invites cross discounts, then the basis for determining the respective thresholds for procurement procedures and reviews shall be the aggregate value of the total package (IFB). This shall be irrespective of whether bids are invited in one bidding document under one IFB or in separate bidding documents under one IFB.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, each contract for: (a) pharmaceuticals, medical supplies and other goods estimated to cost the equivalent of \$1.0 million or more per contract; and (b) works estimated to cost the equivalent of \$2.0 million or more per contract, shall be procured in accordance with the International Competitive Bidding (ICB) provisions of the Procurement Guidelines. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. Limited International Bidding. Pharmaceuticals, medical supplies and other goods, which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding in accordance with the Procurement Guidelines.

2. Open Tender/National Competitive Bidding.

(a) Pharmaceuticals, medical supplies, and other goods estimated to cost the equivalent of less than \$1,000,000 per contract, and works estimated to cost the equivalent of less than \$2,000,000 per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the Procurement Guidelines and other provisions as agreed with the Association.

(b) Pharmaceuticals, medical supplies and other goods estimated to cost the equivalent of less than \$100,000 per contract, and works estimated to cost the equivalent of less than \$100,000 per contract, may be procured under contracts awarded in accordance with paragraph 2(III)(D) of Part B of the Procurement Manual.

3. Limited Tender. Pharmaceuticals, medical supplies and other goods estimated to cost the equivalent of \$50,000 or less per contract may be procured under contracts awarded on the basis of Limited Tender in accordance with the provisions of paragraph 2(III)(D) of Part B of the Procurement Manual.

4. Shopping. Pharmaceuticals, medical supplies and other goods, and works estimated to cost \$50,000 equivalent or less per contract, may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraph 2(III)(E) of Part B of the Procurement Manual and in a manner satisfactory to the Association.

5. Single Tender/Direct Contracting. Pharmaceuticals, medical supplies and other goods and works estimated to cost \$10,000 equivalent or less per contract, may be procured under contracts awarded on the basis of Single Tender/Direct Contracting, in accordance with the provisions of paragraph 2(III)(F) of Part B of the Procurement Manual and in a manner satisfactory to the Association.

6. Panchayati Raj Institutions. Works estimated to cost \$15,000 equivalent or less per contract may be procured by Panchayati Raj Institutions in accordance with the provisions of paragraph 2(III)(G) of Part B to the Procurement Manual and in a manner satisfactory to the Association.

7. Procurement from UN Agencies. With the prior approval of the Association, pharmaceuticals and medical supplies, regardless of cost, may be procured directly from UN Agencies in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part C of this Section, Consultants' services shall be procured under contracts awarded on the basis

of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procurement Procedures

1. Single Source Selection. Services for assignments estimated to cost \$50,000 equivalent or less per contract, may be procured in accordance with the provisions of paragraph VII of Part C of the Procurement Manual.

2. Least-cost Selection. Services for small assignments estimated to cost \$50,000 equivalent or less per contract, may be awarded in accordance with the provisions of paragraph IX of Part C to the Procurement Manual.

3. Individual Consultants. (i) Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

(ii) Services for assignments estimated to cost the equivalent of less than \$50,000 per contract, may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraph VIII of Part C of the Procurement Manual and in a manner satisfactory to the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (1) each contract for pharmaceuticals, medical supplies, other goods, and works estimated to cost the equivalent of \$1,000,000 or more; (2) each contract for services (other than consultants' services) estimated to cost the equivalent of \$1,000,000 or more; (3) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; and (4) each contract for consultants' services provided by individuals estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

## SCHEDULE 4

### Implementation Program

#### Institutional Arrangements

1. The Borrower shall cause MOHFW to maintain throughout the period of Project implementation, in form and with functions, staffing and resources satisfactory to the Association:

(a) the Advocacy and IEC Unit within CTD, which shall be responsible for, *inter alia*, the management, monitoring and strengthening of IEC at the national, state and district levels;

(b) the IEC Advisory Group, which shall be responsible for providing oversight under the Program and for providing multi- disciplinary guidance to decision makers and policy makers;

(c) the Finance Unit within CTD, which shall be responsible for, *inter alia*, overall financial management, expenditure tracking, budgeting and allocation to Project States, auditing and follow up on audit observations;

(d) the Procurement, Supply and Logistic Unit within CTD, which shall be responsible for, *inter alia*, all procurement at the central level, quality assurance of drugs at the central level, inventory management, and the monitoring of compliance of procurement norms by the Project States and Districts;

(e) the Human Resource Development Unit within CTD, which shall be responsible for, *inter alia*, the overall management and development of human resources at all levels, identifying training requirements, developing and implementing training plans, and monitoring training activities; and

(f) the Supervision, Monitoring and Epidemiological Surveillance Unit, which shall be responsible for, *inter alia*, monitoring the epidemiological impact of the Program, the supervision and monitoring of all activities under the Program, and the surveillance of the process of sputum microscopy quality assurance, and TB-HIV coordination and public-private mix activities.

2. The Borrower shall, and shall cause each of the Project Executing Agencies to:

(a) implement the Project, consistent with the Project objectives and this Agreement, and in accordance with the Program Implementation Plan, the Procurement Plan, the Procurement Manual, and the Financial Management Manual; and

(b) refrain from revising said Plans or Manual, which in the opinion of the Association, would result in adversely affecting the implementation of the Project.

3. Governance and Accountability Action Plan

3.01. The Borrower shall, and shall cause MOHFW, to:

(a) carry out the Project and the Program in accordance with the provisions of the Governance and Accountability Action Plan;

(b) implement the Governance and Accountability Action Plan in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein; and in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit;

(c) refrain from taking any action which shall prevent or interfere with the implementation of the Governance and Accountability Action Plan;

(d) except as the Association shall otherwise agree, not waive, amend or abrogate the Governance and Accountability Action Plan or any provision thereof; and

(e) provide regular written reports to the Association on the progress achieved in the implementation of the Governance and Accountability Action Plan. The first such report shall be provided by December 31, 2006. Thereafter, such reports shall be provided semiannually.

3.02. The Borrower shall further strengthen the GAAP, as necessary, based on the risks identified and the recommendations of:

(a) the reviews carried out by the Borrower on: (i) procurement capacity and development work; and (ii) the quality and quantity of pharmaceuticals and medical goods; and

(b) the detailed review of the selected health sector projects carried out by the Association, such strengthening to include any recommendation relating to enhancements in document management and record keeping, to a standard deemed appropriate for Association-financed projects.

Funds Flow

4. (a) The Borrower shall:

(i) allocate funds under the Program to each Project State on the basis of the State Annual Work Plan required to be furnished by

each Project State in accordance with the relevant Letter of Undertaking; and

- (ii) release funds so allocated pursuant to subparagraph (i) above, to the respective SIS of each Project State in the first and the third quarters of each Fiscal Year.

(b) Notwithstanding the provisions set forth in subparagraph (a) of this paragraph 4, the Borrower shall not release any funds under the Program to a Project State or its respective SIS unless such Project State, together with its respective SIS, shall have furnished audit reports and other information to MOHFW.

#### IEC Capacity

5. The Borrower shall, in a manner satisfactory to the Association, cause MOHFW to:

(i) review, by June and December of each Fiscal Year, commencing Fiscal Year 2007-2008, IEC capacity at the central, state and district levels;

(ii) furnish by May and November of each Fiscal Year, commencing Fiscal Year 2007-2008, the reports, of such scope and detail, satisfactory to the Association, of the reviews conducted pursuant to paragraph (i) of this paragraph 5;

(iii) immediately thereafter, exchange views with the Association on the reports furnished pursuant to paragraph (ii) above of this paragraph 5; and

(iv) implement, such actions to strengthen IEC capacity, as may be requested by the Association.

6. The Borrower shall, under terms of reference and in a manner satisfactory to the Association, take all necessary actions and measures to:

(a) strengthen and maintain existing and newly-created Program management and monitoring arrangements;

(b) maintain adequate management capability in CTD through, *inter alia*, an annual review of: (i) the quantity, quality, and composition of Program staff; and (ii) the adequacy of the technical assistance being provided; taking into account and carrying out any requisite adjustments as may be determined necessary as a result of said review;

(c) increase the enrollment of medical colleges that actively support the Program;

(d) carry out activities to: (i) identify weaknesses in management and non-clinical areas of the Program; and (ii) develop strategies to advance Program advocacy and health communications aimed at tribal and other 'hard to reach' population groups; (iii) expand HIV/TB coordination; and (iv) initiate relevant interventions to prevent and address multi drug resistance; and

(e) in accrediting all newly-established laboratories, public or private, ensure that such laboratories possess the capacity to undertake drug susceptibility testing prior to the carrying out of multi drug resistance TB diagnosing.

7. The Borrower shall, and shall cause each of the Project States to:

(a) maintain its respective SIS and District Societies throughout the period of Project implementation with adequate staff, resources, powers and functions satisfactory to the Association; and

(b) ensure that the arrangements for implementing the Project through each SIS and the District Societies are consistent with the objective of the Project and the provisions of this Agreement.

#### Tribal Development Plan

8. The Borrower shall, and shall cause each of the Project Executing Agencies to:

(a) carry out all Project activities in accordance, and consistent, with the provisions of the TDP, satisfactory to the Association; and

(b) refrain from revising, amending, abrogating, or deviating from the provisions of the TDP without the prior approval of the Association.

#### Infection Control and Infectious Waste Management Safeguards

9. The Borrower shall, and shall cause each of the Project Executing Agencies to:

(a) carry out all Project activities in accordance with the provisions of the ICIWMP, satisfactory to the Association; and

(b) refrain from revising, amending, abrogating, or deviating from the provisions of the TDP without the prior approval of the Association.

#### Procurement Audit and Supervision

10. The Borrower shall carry out Procurement Audit in accordance with the provisions of Paragraph 2 (XVIII) of Part A of the Procurement Manual.

11. The Borrower shall, throughout the period of Project implementation and satisfactory to the Association, cause MOHFW to:

- (a) maintain the Empowered Procurement Wing;
- (b) cause the Empowered Procurement Wing to supervise the Procurement, Supply and Logistic Unit;
- (c) retain the services of qualified and competent procurement agents; and
- (d) prior to retaining the services of any procurement agent not previously approved by the Association, obtain the written consent of the Association to such proposed action.

#### Reports

12. The Borrower shall furnish to the Association all information and reports received from each of the Project States prepared in accordance with the relevant Letter of Undertaking, as may be requested by the Association from time to time.

#### Performance Monitoring Indicators, Reviews and Mid-Term Review

13. The Borrower shall, with the participation of the Project Executing Agencies:

- (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) commencing Fiscal Year 2007-2008, furnish to the Association by May 31 and November 30 of each Fiscal Year, reports in such scope and in such detail as the Association shall reasonably request, on the progress made in the carrying out of the Project during the Fiscal Year immediately preceding the Fiscal Year covered in said reports; and
- (c) review with the Association in the months of June and December of each Fiscal Year the progress made in the carrying out of the Project and the attainment of the objective thereof, such reviews to be based on the reports referred to in sub-paragraph (b); and thereafter take, or cause to be taken, all such action as shall have been agreed upon by the Borrower and the Association during such reviews as necessary for the efficient execution of the Project and the achievement of the objective thereof.