

LETTER OF UNDERTAKING BETWEEN THE GOVERNMENT OF INDIA,

MINISTRY OF HEALTH & FAMILY WELFARE, AND THE GOVERNEMENT OF

**HEALTH AND FAMILY WELFARE DEPARTMENT &
THE _____ STATE AIDS CONTROL SOCIETY**

This Letter of Undertaking is made on the between President of India acting through the Department of Health, Ministry of Health & Family Welfare, (herein after referred to as Government of India) and Governor of _____ acting through Secretary of _____ (herein after referred to as: The Government of _____”) and _____. Project Director, _____ State AIDS Control Society , autonomous body registered under _____ in the state of _____ having its headquarters at _____;

WHEREAS The Government of India (GOI) has secured an International Development Association Credit (herein after referred to as “IDA” a credit equivalent of US\$250 million for purpose of assisting in financing the Phase III of the National AIDS Control Programme (NACP III) and has entered into a development credit agreement with IDA dated2007;

The Government of _____ and _____ AIDS Control Society

- (a) Declare its commitment to the objectives of the Project and the Program as set forth in Schedule 2 to this Agreement, and to that end, shall agree to undertake implementation of its respective activities under the Project and the Program: (i) with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices; and (ii) to provide, promptly as needed, the funds, facilities, services and other resources required therefore.
- (b) Undertake to carry out their respective activities under the Project and the Program in accordance with the PIP, the Financial Management Manual, the Procurement Manual, TAP, ICWMP, the NGO/CBO Guidelines and this Agreement, and shall agree not to waive any provisions contained therein, without the prior approval of the Association.
- (c) Undertake to engage NGOs/CBOs for carrying out activities under Parts 1 and 2 of the Project in accordance with the provisions of paragraph C of Section I of Schedule 2 to the Financing Agreement.

- (d) Undertake to: (i) review and monitor annually the performance and the progress of NGOs/CBOs in implementation of their respective activities under the Project and the Program; (ii) carry out annual performance reviews of NGOs/CBOs using third party monitoring focusing, *inter-alia*, on purchases of pharmaceuticals and medical supplies by NGOs/CBOs according to the list referred to in paragraph C.4(c)(i) of Section I of Schedule 2 to the Financing Agreement; and (iii) on the basis of such reviews, take necessary actions to improve performance and progress, including termination of contractual arrangements, as needed, all in a manner and time frame satisfactory to the Association.
- (e) Undertake to (i) procure pharmaceuticals, medical supplies, if any, under contracts with NGOs/CBOs engaged in accordance with the arrangements referred to in paragraph (c) above, and procure other goods, works and services required for their respective activities under the Project in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, as the said provisions may be further elaborated in the Procurement Plan; and (ii) by October 31, 2007 appoint, and thereafter retain throughout the period of Project implementation, key procurement staff having experience, qualification and terms of reference satisfactory to the Association.
- (f) Undertake to establish by October 31, 2007 the following bodies with functions, staffing and resources satisfactory to the Association and the Recipient: (i) a procurement unit which shall be responsible for, *inter-alia*, supervising all procurement in the Project State; (ii) a strategic information management unit which shall be responsible for, *inter-alia*, producing periodic information related to implementation of the Program in the Project State; (iii) a finance unit which shall be responsible for, *inter-alia*, overall financial management of the Program and Project activities in the Project State; (iv) a state council on AIDS which shall be responsible for providing overall support and policy guidance on the Program to the Project State and its respective State Implementation Society (SIS); and (v) technical support units which shall be responsible for, *inter-alia*, management of targeted intervention programs with the High Risk Groups.
- (g) Agree that the Association may from time to time inspect the pharmaceuticals, medical supplies, other goods, works and consultants' services procured under the Project and the Program including all records and documents thereto.
- (h) Agree to assume and undertake the obligations set forth in Sections 4.04, 4.05, 4.06, and 4.07 (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisitions respectively) of the General Conditions in respect of the Letter of Undertaking and its portion of the Project;
- (i) Undertake to prepare and provide to MOHFW, by February 15 of each Fiscal Year, commencing 2008-09, a plan setting out, *inter-alia*, the activities under the Program proposed to be implemented by such Project State and its respective SIS in the following Fiscal Year (State Annual Work Plan), and the procurement plan

for implementation of such activities, which Plan shall be in form and substance satisfactory to MOHFW and in accordance with the Financial Management Manual.

(j) Undertake to prepare and furnish to MOHFW, by May and November of each Fiscal Year, commencing 2007-08, a certificate providing, *inter-alia*, the manner and the purposes for which the funds provided by the Recipient through MOHFW during the six months period of such Fiscal Year preceding such date have been utilized by such Project State and its respective SIS a State Utilization Certificate. Such Certificate shall be in form and substance satisfactory to MOHFW.

(k) Agree to:

(i) maintain a financial management system, and prepare financial statements (State and SIS Financial Statements) as set out in the Financial Management Manual, in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project, of the departments and agencies of the Project State and its respective SIS;

(ii) have the State and SIS Financial Statements referred to in sub paragraph (a) above of this paragraph (i) for each Fiscal Year audited by independent auditors acceptable to the Association, in accordance with consistently applied accounting standards acceptable to the Association; and

(iii) furnish to MOHFW, and to the Association upon request, the audited State and SIS Financial Statements for each Fiscal Year not later than six months after the end of such Fiscal Year, and such other information concerning the audited State and SIS Financial Statements and such auditors, as MOHFW or the Association may from time to time reasonably request.

(l) Agree to:

(i) maintain data management and record keeping system for ensuring proper and efficient maintenance of all information relating contracts procured under the Project and the Program, all in a manner satisfactory to the Recipient and the Association; and

(ii) furnish information relating to contracts procured under the Project and the Program, as may be reasonably requested by the Association or the Recipient.

(m) Cause select Districts in such Project State to establish by and thereafter maintain throughout the period of Project implementation:

(i) a DAPCU in form and with functions, staffing and resources satisfactory to the Association and which shall be responsible for, *inter-alia*, implementation of all assigned activities under the Project and the Program in such District; and

(ii) a District Advisory Committee in form and with functions, staffing and resources satisfactory to the Association and which shall be responsible for, *inter-alia*, implementation providing overall guidance and support to DAPCU and the District Health Society in such District.

(n) Agree to establish by and thereafter maintain throughout the period of Project implementation a Task Force on Hospital Safety in each District hospital in form and with functions, staffing and resources satisfactory to the Association and which shall be responsible for, *inter-alia*, managing hospital waste and ensuring hospital safety.

(o) Agree to:

(i) assist the Recipient in implementation of the Governance and Accountability Action Plan and to carry out their respective activities under the Project and the Program in accordance with the Governance and Accountability Action Plan;

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

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

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

(v) provide a report to the Recipient on the progress achieved in the implementation of the Governance and Accountability Action Plan once every quarter.

(p) Agree to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Program, the accomplishment of the purposes of the Financing, or the performance of their respective obligations under the relevant Letter of Undertaking;

(q) From time to time, at the request of the Association:

(i) undertake to exchange views with the Association with regard to the progress of carrying out activities under the Project, their respective performances under the Letter of Undertaking and other matters relating to the purposes of the Financing;

- (ii) furnish all such information related thereto as may reasonably be required by the Association; and
 - (iii) participate in the reviews of the Project implementation and provide relevant reports as referred to in paragraph A.2 of Section II of Schedule 2 to this Agreement.
- (r) Agree to:
- (i) 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 (as such term is defined in the Financing Agreement) or such later date as may be agreed for this purpose among the Association, the Recipient, such Project State and its respective SIS, a plan designed to ensure the continued achievement of the Project's objectives; and
 - (ii) afford the Association a reasonable opportunity to exchange views with such Project State and its respective SIS on said plan.
- (s) Agree that the Recipient may suspend or terminate the right of the Project State and its respective SIS to use the proceeds of the Financing made available under the Financing Agreement:
- (i) upon failure of the Project State or its respective SIS to perform any of its obligations under their Letter of Undertaking; and
 - (ii) upon suspension by the Association of the Financing under the Financing Agreement or upon issuance of a notice declaring an intent to suspend such Financing.

The Government of _____ and _____ SACS shall also:

1. Agree to the continuance of the existing AIDS Control Society as a legal entity for receiving grants from NACO and account for all funds released to the State Society as well as document and report receipts and expenditure in appropriately prescribed forms. It shall also take the responsibility for implementing the approved Annual Action Plan (AAP) and for collaborating with civil society organisations or other entities.
2. Agree to have a Society functioning as per a standard Memorandum of Association and Articles of Association inter alia consisting of the Executive Committee and General Body chaired by the Secretary of Health & Family Welfare with clear cut delegation of powers spelt out. All decisions shall be taken at the official level of the Health & Family Welfare Department.
3. Agree to appoint a full time Project Director and a Finance Controller for a three year period for the above mentioned Society not later than 31st October 2007 failing which the second and subsequent financial releases will not be made and State Government will be fully accountable and responsible for any problems

arising thereof. The head of the Account and Finance Unit of States receiving assistance in the range of Rs. 50 crore and above (Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu, W Bengal, & Gujrat) shall have a Joint Director (Finance) who shall have at least 25 years of experience. States receiving assistance between Rs.10 and Rs. 50 crore (Bihar, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan, J&K, Uttar Pradesh, Delhi, Manipur, Nagaland, Assam & Mizoram) shall have a Deputy Director (Finance) of at least 20 years experience and the rest of the states (Goa, Pondicherry, A&N Islands, Chandigarh, D&N Haveli, Daman & Diu, Lakshadweep, Uttarakhand, Chattisgarh, Jharkhand, Arunachal Pradesh, Meghalaya, Sikkim, Tripura, Mumbai & Chennai MACS) shall have an Assistant Director (Finance) of at least 15 years experience. Further in the event of any evidence of mis-utilisation of funds and mis-management of financial affairs such as non-maintenance of accounts, non-settlement of advances and non-appointment of Finance Controller/ Finance Officer from Government service, the Government of India will not be liable to release any funds from budgetary or extra-budgetary (donor aid) resources.

4. Agree to post a Project Director with atleast 10 years of experience in development work in the field. Agree to also ensure that an officer once posted will not be transferred for atleast three years without the prior concurrence of NACO except on grounds of financial impropriety and mismanagement.
5. Agree also to ensure that post of Project Director and other key posts such as Finance Controller/ Finance Officer and Procurement Officer will not be kept vacant for more than two months. In case these posts are kept vacant for more than four months it may entail NACO to take steps to recruit and appoint suitable officers in the vacancies.
6. Agree to merge any existing District AIDS Control Societies, if any with the District Health & Family Welfare Society.
7. Agree to establish in all A and B category districts a District AIDS Cell as per the guidelines of the National AIDS Control Organisation (NACO) to function as an integral constituent of the District Health & Family Welfare Society and work under the guidance of the District collector.
8. Agree to formulate before the start of every financial year a State Action Plan with district wise AAPs for the A and B category districts including all financial requirements.
9. Agree to the implementation of Govt. of India prescribed activities, operation guidelines, manuals, instructions and circulars issued from the NACO for the implementation of the National AIDS Control Programme – III (NACP-III) and seeking prior concurrence of NACO either in case of deviation or any case of taking up any new activity outside the NACP-III framework or approved AAP.
10. Agree to ensure that the SACS will take all precautions and necessary action to preserve the confidentiality of patient records and government data and ensure access only to authorised persons after obtaining appropriate approvals from competent authorities. The SACS shall develop a clear cut guideline with respect to confidentiality of records.

11. Agree to seek concurrence of the NACO before accepting any foreign visits/hospitality/training to avoid conflict of interest.

IN WITNESS WHERE OF Shri. _____ acting for and on behalf of the President of India and Shri. _____ for and on behalf of the Government of _____ and Shri. _____ acting for and on behalf of the _____ State AIDS Control Society set their hands on the day, month and year first above written.

Signature of

Signature of

Signature of

(_____)
Dept. of Health, Ministry
of Health & Family
Welfare, Govt of India,
acting for and on behalf of
the President of India

(_____)
Secretary to Govt., Health &
Family Welfare Dept.,
Government of _____
and acting for and on behalf
of the Governor of

(_____)
Acting for and on behalf of
the _____
of State AIDS Control Society

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall, throughout the period of Project implementation and in a manner satisfactory to the Association:
 - (a) maintain the NCA;
 - (b) cause MOHFW to maintain the NACB and the NACO, in form and with functions, staffing and resources satisfactory to the Association;
 - (c) cause MOHFW to ensure:
 - (i) adequate management capacity in NACO for implementation of the Project and the Program; and
 - (ii) that NACO carries out its operations and conducts its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and
 - (d) cause MOHFW to:
 - (i) review by May of each Fiscal Year the staffing and technical assistance requirements of NACO; and
 - (ii) upon request by the Association, revise the staffing norms and composition of NACO on the basis of such review at the time of the Mid-term Review referred to in paragraph A.3 of Section II of this Schedule 2.

2. The Recipient, through MOHFW, shall cause NACO to establish by October 31, 2007 and thereafter maintain throughout the period of Project implementation, in form and with functions, staffing and resources satisfactory to the Association:
 - (a) the Basic Services Unit which shall be responsible for activities relating to, *inter-alia*, sexually transmitted diseases, prevention of parent to child transmission, and counseling under the Project and the Program;
 - (b) the Treatment, Care and Support Unit which shall be responsible for activities relating to, *inter-alia*, prevention and care, support and treatment services, and anti retroviral treatment under the Project and the Program;
 - (c) the Quality Assurance and Control Unit which shall be responsible for activities relating to, *inter-alia*, blood safety, quality assurance, management of bio-medical waste and infection control under the Project and the Program;
 - (d) the Monitoring, Evaluation, Research and Development Unit which shall be responsible for activities relating to, *inter-alia*, information management and reporting as referred to in Section II of this Schedule 2, surveillance, and research and knowledge management under the Project and the Program;
 - (e) the Finance Unit headed by Director (Finance) which shall be responsible for, *inter-alia*, the overall resource mobilization and financial management under the Project and the Program;
 - (f) the Administration, Procurement, IEC and Social Mobilization Unit which shall be responsible for, *inter-alia*, the overall coordination of the procurement, logistics and supply chain management functions, social mobilization, and information, education and communication under the Project and the Program;
 - (g) the Regional AIDS Support Unit which shall be responsible for, *inter-alia*, providing implementation support to North-Eastern Project States;
 - (h) the NACP-III-NRHM Coordination Committee which shall be responsible for, *inter-alia*, coordination between the Program and the other health sector programs, including the reproductive and child health programs and the tuberculosis control program, of the Recipient; and
 - (i) technical advisory groups which shall be responsible for, *inter alia*, reviewing and advising on thematic areas, including tribal population, underlying the Program.
3. The Recipient, through MOHFW, shall cause NACO to:
 - (a) establish by October 31, 2007, and thereafter maintain throughout the period of Project implementation, the Steering Committee for Donor Coordination

comprising the Pooling Partners and other key Non-pooling Development Partners;

- (b) periodically review the implementation of the Program with the Steering Committee in a manner and time frame satisfactory to such Committee; and
 - (c) provide such information on implementation of the Program to the Steering Committee as may be requested from time to time.
4. The Recipient shall, throughout the period of Project implementation, cause MOHFW to maintain the Empowered Procurement Wing, under terms of reference satisfactory to the Association, which is staffed with qualified staff in sufficient numbers, and provided with adequate resources, in a manner and substance satisfactory to the Association.
 5. The Recipient, through MOHFW, shall cause NACO to maintain arrangements satisfactory to Association for timely delivery and quality assurance of condom supply under the Program. Such arrangements shall be maintained throughout the period of Project implementation.

B. Letter of Undertaking and On-lending to Project States

1. The Recipient, through MOHFW, shall cause each Project State and its respective SIS to: (a) execute and furnish to MOHFW a Letter of Undertaking in form and substance satisfactory to the Association, and including the terms and conditions set forth in Appendix 2 to this Agreement; and (b) carry out their respective activities under the Project in accordance with their respective Letter of Undertaking and the provisions of this Agreement.
2. The Recipient shall, and shall cause MOHFW and NACO to, 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 their respective Letter of Undertaking. The Recipient shall not take or permit to be taken any action which would prevent or interfere with such performance.
3. The Recipient, shall cause MOHFW and NACO, to exercise their rights under each Letter of Undertaking in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall ensure that MOHFW and NACO shall not assign, amend, abrogate or waive any Letter of Undertaking or any of its provisions.
4. The Recipient, through MOHFW, shall cause NACO to 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 Financing for activities under Parts 1, 2, 3(i) and 4 of the Project.

5. The Recipient, through MOHFW, shall cause NACO to:
 - (a) review and approve the State Annual Work Plans furnished by each Project State together with its respective SIS in accordance with the time schedule and framework set out in the Financial Management Manual;
 - (b) allocate funds under the Program to each Project State on the basis of approved State Annual Work Plan;
 - (c) release funds so allocated pursuant to sub-paragraph (b) above to the respective SIS of each Project State in two installments during the first and the third quarters of each Fiscal Year;
 - (d) review the implementation of the approved State Annual Work Plans in accordance with the provisions of the Financial Management Manual; and
 - (e) furnish such information on the progress of the Program and the State Annual Work Plans as may be reasonably requested by the Association from time to time.

6. Notwithstanding the provisions set forth in paragraph 5 (c) above, commencing from Fiscal Year 2007-08, the Recipient, through MOHFW, shall ensure that NACO 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 State and SIS Financial Statements, State Utilization Certificate and other information to MOHFW in accordance with the Financial Management Manual.

C. Arrangements for engaging NGOs or CBOs for TI/CST Services

1. For the purpose of carrying out TI/CST Services under Parts 1 and 2 of the Project, the Recipient, through MOHFW and NACO, shall cause each Project State and its respective SIS in accordance with its respective Letter of Undertaking to: (a) select an NGO or a CBO in accordance with the provisions of paragraphs B.3 and B.4 of Appendix 3 to this Agreement identified on the basis of criteria set out in the NGO/CBO Guidelines; and (b) make a portion of the proceeds of the Financing available to such NGO or CBO, as the case may be, on a non-refundable grant basis.

2. An NGO or a CBO for providing TI/CST Services shall be engaged under a contractual arrangement in accordance with the NGO/CBO Guidelines and containing provisions satisfactory to the Association including the provisions set forth in paragraph 4 of this paragraph C. The duration of such contractual arrangement shall be initially for a period not exceeding one year, provided, however, that the Association may permit the period to exceed one year based on

- reviews by the Association of the arrangements for engagement of NGOs/CBOs and their performance.
3. The Recipient, through MOHFW, shall cause NACO to ensure that each Project State and its respective SIS shall:
 - (a) review and monitor annually the performance and the progress of the NGOs or the CBOs in implementation of TI/CST Services; and
 - (b) on the basis of such review, take necessary actions to improve performance and progress, including termination of contractual arrangements, as needed, all in a manner and time frame satisfactory to the Association.
 4. The contractual arrangement with an NGO or a CBO for TI/CST Services shall include, *inter-alia*, the following provisions, wherein such NGO or CBO, as the case may be, shall:
 - (a) undertake to carry out TI/CST Services with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and in accordance with the NGO/CBO Guidelines, and the Financing Agreement;
 - (b) undertake to carry out procurement for TI/CST Services in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, as the said provisions may be further elaborated in the Procurement Plan;
 - (c) undertake to carry out procurement of pharmaceuticals and medical supplies, if any, in accordance with the following provisions:
 - (i) NGOs/CBOs shall purchase pharmaceuticals and medical supplies that are manufactured by firms included in the Recipient's list of WHO GMP certified firms referred to in the NGO/CBO Guidelines;
 - (ii) NGO/CBO shall not spend an amount greater than 5% of the value of the contract or US\$3500 per annum, whichever is higher, on pharmaceuticals and medical supplies;
 - (iii) NGOs/CBOs shall participate in and facilitate the annual performance reviews of NGOs/CBOs to be carried by SISs using third party monitoring focusing, *inter-alia*, on purchases of pharmaceuticals and medical supplies by NGOs/CBOs according to the list referred to in (i) above;

- (iv) NGOs/CBOs shall maintain proper records and invoices evidencing the expenditures on purchases of pharmaceuticals and medical manufactured by firms that are in the list referred to in (i) above; and
- (v) the procurement of pharmaceuticals and medical supplies by NGOs/CBOs to be financed out of the proceeds of the Financing shall be subject to proviso I to paragraph A.3(e) of Section IV of this Schedule 2.
- (d) agree to maintain a financial management system, prepare financial statements and carry out and furnish in a manner satisfactory to the Recipient, the Project State/SIS and the Association;
- (e) agree to furnish reports, including financial reports and reports on progress in implementation of TI/CST Services in accordance with the NGO/CBO Guidelines;
- (f) agree that the Association may from time to time inspect the pharmaceuticals, medical supplies, other goods, works and services procured for TI/CST Services including all records and documents thereto;
- (g) from time to time, at the request of the Association, (i) undertake to exchange views with the Association with regard to the progress of carrying out TI/CST Services and other matters relating to the purposes of the Financing; and (ii) furnish all such information related thereto as may reasonably be required by the Association;
- (h) agree to promptly inform the Recipient and the Project State /SIS of any condition which interferes or threatens to interfere with the progress of their respective obligations under their contractual arrangement; and
- (i) agree that the Project State/SIS may suspend or terminate the right of the NGO or the CBO to use the proceeds of the Financing made available under the contractual arrangement: (i) upon failure of such NGO or CBO to perform any of its obligations under its respective contractual arrangement; and (ii) upon suspension by the Association of the Financing under the Financing Agreement or upon issuance of a notice declaring an intent to suspend such Financing.

D. Manuals and Plans

1. Throughout the period of Project implementation, the Recipient, through MOHFW, shall cause NACO to:

- (a) maintain the PIP, the FMM, the ICWMP, the TAP and the Procurement Manual and the NGO/CBO Guidelines and implement the same in a manner satisfactory to the Association;
 - (b) carry out, and cause each of the Project Executing Agency to carry out, the Project and the Program in accordance with the provisions of the PIP, the FMM, the ICWMP, the TAP, the Procurement Manual, the NGO/CBO Guidelines and this Agreement;
 - (c) refrain, and cause each of the Project Executing Agency to refrain, from taking any action which shall prevent or interfere with the implementation of the PIP, the FMM, the ICWMP, the TAP, the Procurement Manual or the NGO/CBO Guidelines; and
 - (d) except as the Association shall otherwise agree, not waive, amend or abrogate the PIP, the FMM, the ICWMP, the TAP, the Procurement Manual or the NGO/CBO Guidelines.
2. The Recipient shall, and shall cause MOHFW and NACO 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 Recipient and the Association and to accomplish the purposes of the Financing;
 - (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, 2007. Thereafter, such reports shall be provided semi-annually.
3. The Recipient shall further strengthen the GAAP, as necessary, based on the risks identified and the recommendations of:

- (a) the reviews carried out by the Recipient 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 being 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.

E. Document Management and Record Keeping

- 1. The Recipient, through MOHFW, shall cause NACO and each Project State and its respective SIS to maintain a complete database of contracts procured under the Project and the Program in a manner satisfactory to the Association.
- 2. The Recipient, through MOHFW, shall cause NACO to furnish details of contracts procured under the Project and the Program to the Association on a quarterly basis in form and substance satisfactory to the Association. Such details shall be furnished to the Association not later than 45 days after the end of each quarter in a Fiscal Year.

Section II. Project Monitoring, Reporting, Evaluation, Reviews and Mid-Term Review

A. Project Reports

- 1. The Recipient, through MOHFW, shall cause NACO to monitor and evaluate the progress of the Program and the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the six-month period of a Fiscal Year, and shall be furnished to the Association not later than two months after the end of the six-months period covered by such report.
- 2. Without prejudice to the provisions of the General Conditions, the Recipient, through MOHFW, shall cause NACO to review with the Association in the months of May and November of each year of Project implementation, progress made in carrying out of the Project and the Program and the attainment of the objectives thereof, such reviews to be based on the Project Reports referred to in paragraph 1 above; and thereafter take, or cause to be taken, all such action as reasonably requested by the Association during such reviews as necessary for the efficient execution of the Project and the Program and the achievement of the objectives thereof.
- 3. The review during November 2009 shall constitute the Mid-Term Review of the progress made in carrying out the Project and the Program. Such Mid-Term

Review shall be carried out in accordance with terms of reference satisfactory to the Association and shall include a review of the staffing norms, composition and technical assistance requirements of NACO.

4. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than March 31, 2013.
5. Without prejudice to the provisions of paragraphs A.1 and A.2 of this Section II, the Recipient, through MOHFW and in a manner satisfactory to the Association, shall cause NACO to: (a) maintain a strategic information management system for the purpose of, *inter-alia*, producing reports related to implementation of the Project and the Program on a periodic basis; (b) quarterly monitor and evaluate the progress of the Program at the national and state level in accordance with National Level Dashboard and State Dashboards after 45 days from the end of each quarter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain, and through MOHFW, shall cause NACO and each Project State and its respective SIS to maintain, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient, through MOHFW, shall cause NACO to prepare and furnish to the Association as part of the Project Report not later than two months after the end of six-months period of each Fiscal Year, interim un-audited financial reports for the Project covering the six-months period, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements and the records and accounts for the designated account(s) referred to in Section 2.04 of the General Conditions for each Fiscal Year audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
4. The Recipient, through MOHFW, shall cause each Project State and its respective SIS to:
 - (a) have the State and SIS Financial Statements for each Fiscal Year audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 - (b) upon request, furnish to the Association the State and SIS Financial Statements as soon as such Statements are available, but in any case not later than six (6) months after the end of the Fiscal Year to which the request relates; and

- (c) furnish to the Association such other information concerning the audited State and SIS Financial Statements and such auditors, as the Association may from time to time reasonably request.
5. The Recipient shall, through MOHFW, cause NACO to:
- (a) furnish to the Association no later than six (6) months after the end of each Fiscal Year, a Consolidated Report on Audits containing, inter-alia, an opinion on the State and SIS Financial Statements referred to in paragraph B.4(b) of this Section II and the reports on Procurement Audit referred to in paragraph C.2(a) of this Section II, of such scope and in such detail as the Association shall have reasonably requested; and
 - (b) furnish to the Association such other information concerning such Consolidated Report on Audits as the Association may from time to time reasonably request.
6. The Recipient, through MOHFW, shall cause NACO to: (a) upgrade the CPMS by October 31, 2007; (b) maintain CPMS throughout the period of Project Implementation; and (c) implement the Financial Management Reform Plan, all in a manner satisfactory to the Association.

C. Procurement Staff and Audit

1. The Recipient, through MOHFW, shall cause NACO to appoint by October 31, 2007 and thereafter retain key procurement staff having qualification, experience and terms of reference satisfactory to the Association.
2. The Recipient, through MOHFW, shall cause NACO and each Project State and its respective SIS to:
- (a) carry out procurement audits for procurements under the Program in each Fiscal Year by independent auditors acceptable to the Association and having the terms of reference satisfactory to the Association; and
 - (b) furnish to the Association the reports of such audit in accordance with paragraph B.5(a) of this Section II.

D. Management Audit

1. The Recipient, through MOHFW, shall cause NACO to:
- (a) establish within three months from the Effective Date and thereafter maintain throughout the period of Project implementation, a system satisfactory to the Association for carrying out an audit of, *inter-alia*, financial management and related operational management including procurement, and adequacy of and adherence to financial and administrative control under the program;

- (b) carry out the audit referred to in (a) above under terms of reference satisfactory to the Association for each Fiscal Year by independent auditors acceptable to the Association and furnish the reports of such audit during the JRMs; and
- (c) on the basis of such audit, take remedial measures satisfactory to the Association.

Section III. Procurement

A. General

- 1. Pharmaceuticals, Medical Supplies, Other Goods, Works and Services (other than Consultants' Services).** All pharmaceuticals, medical supplies, other goods, works, and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
- 2. Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
- 3. Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, or the Procurement Manual, as the case may be.
- 4.**
 - (a) All procurement under the Project shall be carried out in accordance with the provisions of this Section III 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 D.3 of Section I of this Schedule, and progress made in implementing the GAAP as revised pursuant to said paragraph D.3.
 - (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, all contracts for procurement of pharmaceuticals, medical supplies, other goods, works, TI/CST Services and other services utilizing the following procedures under this Section III and Appendix 3 to this Agreement, shall be procured by a qualified procurement agent(s) engaged by the Recipient in accordance with the Consultant Guidelines, and/or by a UN Agency engaged by the Recipient 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, Quality Based Selection procedures, Selection Based on Consultants' Qualification procedures, Single Source Selection procedures, and Service Delivery Contractors procedures, for contracts estimated to cost the equivalent of more than \$150,000 per contract; and
- (iv) Individual Consultants Selection procedures for contracts estimated to cost the equivalent of more than \$50,000 per contract;

Provided, however, that contracts for services in respect of activities under the Project to be implemented by the Recipient through NACO may be procured by NACO subject to proviso II to paragraph A.3(e) of Section IV of this Schedule 2.

- (c) All contracts other than those subject to sub-paragraph (b) above of this paragraph 4 may be procured in accordance with the provisions of this Section III by: (i) the Empowered Procurement Wing in respect of activities under the Project to be implemented by the Recipient through NACO; and (ii) SISs in respect of the activities to be carried out by the Project States and their respective SISs pursuant to their respective LOUs. Except as the Association may otherwise agree, the value of each contract other than contract for TI/CST Services procured by SIS shall not exceed \$50,000 and the value of each contract for TI/CST Services procured by SIS shall not exceed \$75,000 for a contract of one year duration, and \$75,000 per year for a contract of more than one year duration, provided, however, that: (A) the Association has agreed to the award of contracts for more than one year duration as referred to in paragraph C.2 of Section I of this Schedule 2; and (B) the aggregate value of each contract for TI/CST Services shall not exceed the equivalent of \$150,000.
- (d) Only contracts for TI/CST Services procured by SISs referred to in (c) above may provide for the procurement of pharmaceuticals and medical supplies by NGOs/CBOs provided such procurement is in accordance with the provisions of Part A of this Section III and paragraphs A.4 and A.5 of Appendix 3 to this Agreement and subject to proviso I to paragraph A.3 (e) of Section IV of this Schedule 2. Such contracts in addition shall include provisions referred to in paragraph C.4 of Section I of this Schedule 2.

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

5. 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 in a package (IFB) and the Recipient, through MOHFW, 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.

B. Particular Methods of Procurement of Pharmaceuticals, Medical Supplies, Other Goods, Works and Services (other than Consultants’ Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, each contract for: (a) pharmaceuticals, medical supplies, other goods and services (other than consultants’ services) estimated to cost the equivalent of more than \$1.0 million per contract; and (b) works estimated to cost the equivalent of more than \$2.0 million per contract, shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Pharmaceuticals, Medical Supplies, Other Goods, Works and Services (other than Consultants’ Services).** Part A of Appendix 3 to this Agreement, specifies the methods of procurement, other than International Competitive Bidding, which may be used for pharmaceuticals, medical supplies, other goods, works, and services (other than consultants’ services) and also specifies the circumstances under which such methods may be used.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, 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.
2. **Other Methods of Procurement of Consultants’ Services.** Part B of Appendix 3 to this Agreement, specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services, and also specifies the circumstances under which such methods may be used.

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for pharmaceuticals, medical supplies, other goods, works and services (other than consultants' services) estimated to cost the equivalent of more than \$1,000,000; (b) each contract (including contract for TI/CST Services) for consultants' services provided by a firm on the basis of procedures other than Single Source Selection and estimated to cost the equivalent of more than \$200,000; (c) each contract (including contract for TI/CST Services) provided by a firm on the basis of Single Source Selection and estimated to cost the equivalent of more than \$75,000; and (d) each contract provided by Individuals and estimated to cost the equivalent of more than \$50,000. In addition, the following prior review procedures shall apply to each contract for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of more than \$50,000: (i) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract. The following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General.

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Pharmaceuticals and medical supplies under the Program for Parts 1 and 2 of the Project for Fiscal Year 2007-2008 to Fiscal Year 2011-2012	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.
(2) Other Goods, works, TI/CST Services, other services, training and Operating Costs under the Program for Parts 1, 2, 3(i) and 4 of the Project for Fiscal Year 2007-2008 to Fiscal Year 2011-2012	131,600,000	48% 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(ii) of the Project	2,700,000	100%
TOTAL AMOUNT	167,900,000	

3. For the purpose of this Section IV, the following terms have the following meanings:
 - (a) the term “Eligible Medical Expenditures” means the aggregate of expenditures for pharmaceuticals and medical supplies under the Program for Parts 1 and 2 of the Project as set out in Schedule 1 to this Agreement in each Fiscal Year covered by MOHFW Budget and incurred by the Recipient and in Eligible Project States (as hereinafter defined) under approved State Annual Work plans, in accordance with the provisions of this Agreement, and excluding the following expenditures:
 - (i) expenditures financed by Non-pooling DPs;

- (ii) expenditures on condoms; and
- (iii) expenditures financed by the Recipient under its other health sector programs.

Provided, however, that expenditures on condoms shall qualify as “Eligible Medical Expenditures” after the Recipient establishes arrangements satisfactory to the Association for procurement of condoms.

- (b) the term “Eligible Program Expenditures” means the aggregate of Eligible Medical Expenditures and Other Eligible Expenditures in each Fiscal Year.
- (c) 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 Recipient and whose Letter of Undertaking has not been suspended, waived, abrogated or terminated.
- (d) the term “TI/CST Services” means services for carrying out targeted interventions and care, support and treatment under Parts 1 and 2 of the Project to be provided by NGOs/CBOs in accordance with the arrangements referred to in paragraph C of Section I of this Schedule 2 which may include arrangements for procurement of pharmaceuticals and medical supplies for delivering such services.
- (e) the term “Other Eligible Expenditures” means the aggregate of expenditures for Other Goods, works, TI/CST Services (including expenditures for pharmaceuticals and medical supplies under contracts for TI/CST Services), other services, training and Operating Costs under the Program for Parts 1, 2, 3(i) and 4 of the Project as set out in Schedule 1 to this Agreement in each Fiscal Year covered by MOHFW Budget and incurred by the Recipient and in Eligible Project States (as hereinafter defined) under approved State Annual Work plans, in accordance with the provisions of this Agreement, and excluding the following expenditures:

- (i) expenditures financed by Non-pooling DPs; and

- (ii) expenditures financed by the Recipient under its other health sector programs;

provided, however, that:

- I. expenditures on pharmaceuticals and medical supplies under contracts for TI/CST Services referred to in paragraphs A.4(c) and A.4(d) of Section III of this Schedule 2 shall remain eligible for financing in accordance with the provisions of this Agreement, except that, after the completion of the review referred to in paragraph D.3(b) of Section I of this Schedule 2, the Association and the Recipient shall discuss the conclusions of said review with

a view to formulating a mutually acceptable solution to the issues identified thereunder, pertaining to the procurement of pharmaceuticals and medical supplies under contracts for TI/CST Services referred to in paragraphs A.4(c) and A.4(d) of Section III of this Schedule 2. In the event that the Association and the Recipient are unable to formulate, within a reasonable time-frame, a mutually acceptable solution, the Association may notify the Recipient that the expenditures referred to hereinabove shall no longer remain eligible for financing until a mutually acceptable solution is formulated by the parties hereto; and

II. expenditures under contracts for services procured by the Recipient through NACO as referred to in the proviso to paragraph A.4(b) of Section III of this Schedule 2 shall remain eligible for financing in accordance with the provisions of this Agreement, except that, after the completion of the review referred to in paragraph D.3(b) of Section I of this Schedule 2, the Association and the Recipient shall discuss the conclusions of said review with a view to formulating a mutually acceptable solution to the issues identified thereunder, pertaining to the procurement of contracts for services by the Recipient through NACO referred to in the proviso to paragraph A.4(b) of Section III of this Schedule 2. In the event that the Association and the Recipient are unable to formulate, within a reasonable time-frame, a mutually acceptable solution, the Association may notify the Recipient that the expenditures referred to hereinabove shall no longer remain eligible for financing until a mutually acceptable solution is formulated by the parties hereto.

- (f) the term “Other Goods” means goods other than pharmaceuticals and medical supplies and includes laboratory consumables.
- (g) the term “Operating Costs” means the cost of operation and maintenance of buildings, equipment, furniture and vehicles, office rentals, salaries, general office expenses, travel allowances of all Project staff, expenses for participation of Project staff in training, expenses for hiring of vehicles, all incurred for the purposes of carrying out the Project.

B. Withdrawal Conditions; Withdrawal Period.

- 1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 6,720,000 (\$10,000,000 equivalent) may be made for payments made prior to this date but on or after April 1, 2007, for Eligible Program Expenditures under Categories 1 and 2.

- (b) in respect of expenditures for pharmaceuticals and medical supplies under Category 1 other than those procured by a procurement agent or a UN agency (as referred to in paragraph A.4(b) of Section III of this Schedule), through International Competitive Bidding Procedures as set forth in B.1 of Section III of this Schedule, or Limited International Bidding procedures or UN Agencies as set forth in A.1 and A.3 of Appendix 3 to this Agreement unless the Recipient 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 D.3(b) of Section I of this Schedule.

2. Notwithstanding the provisions of the foregoing paragraphs, and except as the Association may otherwise agree, withdrawals in respect of Eligible Program Expenditures under Categories 1 and 2 shall be made on an annual basis in accordance with the following provisions:

- (a) the Recipient may request withdrawals from the Financing 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 interim un-audited financial reports referred to in paragraphs B.2 of Section II of this Schedule 2 covering the Fiscal Year in respect of which the request is made and any other information as the Association shall specify by notice to the Recipient. Except as the Association may otherwise agree, such request in respect of a Fiscal Year shall be made no later than June 30 of the following Fiscal Year;
- (b) beginning Fiscal Year 2008-09, no withdrawals shall be made from the proceeds of the Financing for a Fiscal Year unless the Association shall have received in respect of the previous Fiscal Year: (i) audited Financial Statements required to be furnished by the Recipient in accordance with the provisions of paragraph B.3 of Section II of this Schedule 2; and (ii) the Consolidated Report on Audits required to be furnished by the Recipient in accordance with the provisions of paragraph B.5 of Section II of this Schedule 2;
- (c) any amount disbursed by the Association to the Recipient in accordance with the above provisions shall be adjusted for actual levels of Eligible Program Expenditures confirmed by audited Financial Statements and the Consolidated Report on Audits required to be furnished by the Recipient in accordance with paragraph B.3 and B.5 respectively of Section II of this Schedule 2 or by reports or information submitted by the Recipient pursuant to Association's request, such adjustment to be made from the next disbursement under Categories 1 and 2, provided, however, that the Association may at any time request refunds of amounts not confirmed by such audited Financial Statements, the Consolidated Report on Audits and other reports and information, and upon such request, the Recipient shall

immediately refund such amount. Any such refunds made to the Association shall be credited to the financing Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement;

- (d) no withdrawals shall be made in respect of expenditures for pharmaceuticals and medical supplies except under Category 1 and under contracts for TI/CST Services under Category 2 in accordance with the provisions of this Section IV and the procurement arrangements referred to in Section III of this Schedule 2.

- 3. The Closing Date is September 30, 2012.

Section V. Other Undertakings

- 1. The Recipient undertakes that the proceeds of the Financing shall not be used to finance expenditures for pharmaceuticals, medical supplies, other goods, works or consultants' 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 Recipient 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.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
Commencing October 15, 2017 to and including April 15, 2027	1.25%
commencing October 15, 2027 to and including April 15, 2042	2.5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX 1

Section I Definitions

1. “Administration, Procurement, IEC and Social Mobilization Unit” means the unit referred to in paragraph A.2(f) of Section I of Schedule 2 to this Agreement.
2. “AIDS” means Acquired Immuno-Deficiency Syndrome.
3. “Basic Services Unit” means the unit referred to in paragraph A.2 (a) of Section I of Schedule 2 to this Agreement.
4. “BCC” means Behavior Change Communication.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
7. “Consolidated Report on Audits” means the report referred to in paragraph B.5 of Section II of Schedule 2 to this Agreement.
8. “CBO” means a community based organization.
9. “CPMS” means the computerized program management system within NACO and SISs.
10. “District” means an administrative unit within a state of the Recipient, including any successors thereto.
11. “District Advisory Committee” means the committee established in each District which is responsible for, *inter-alia*, providing overall guidance and support to DAPCU for implementation of the Project and the Program and as referred to in paragraph (m)(ii) of Appendix 2 to this Agreement.
12. “DAPCU” means the District AIDS Prevention and Control Unit established within each District which is responsible for, *inter-alia*, implementation and supervision of all non-medical functions under the Project and the Program and as referred to in paragraph (m)(i) of Appendix 2 to this Agreement.
13. “Drugs and Cosmetics Act” means the Recipient’s Drugs and Cosmetics Act, 1940 (Act No.23 of 1940), as amended from time to time.

14. “Empowered Procurement Wing” means the procurement wing within the MOHFW (as defined hereinafter) which is responsible for, *inter-alia*, supervision of all procurement under the Project and the Program and as referred to in paragraph A.4 of Section I of Schedule 2 to this Agreement.
15. “Finance Unit” means the unit established and maintained by the NACO (as defined hereinafter) pursuant to paragraph A.2 (e) of Section I of Schedule 2 to this Agreement.
16. “Financial Management Manual” or “FMM” means NACO’s manual dated February 15, 2007 for the Program which provides, *inter-alia*, the arrangements for financial management, auditing, reporting and internal controls; as such manual may be amended from time to time with the prior approval of the Association.
17. “Financial Management Reform Plan” means NACO’s plan dated February 15, 2007 providing, *inter alia*, financial management reforms to be carried out by NACO.
18. “Fiscal Year” or “FY” means the fiscal year of the Recipient, which commences on April 1 of a calendar year and ends on March 31 of the following calendar year.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, with the modifications set forth in Section II of this Appendix.
20. “Governance and Accountability Action Plan or “GAAP” means the Recipient’s plan, dated March 9, 2007, setting out the arrangements agreed between the Recipient 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.
21. “Task Force on Hospital Safety” means the unit established in each District hospital which is responsible for, *inter-alia*, waste management and hospital safety and as referred to in paragraph (n) of Appendix 2 to this Agreement.
22. “High Risk Groups” means sex workers, injecting drug users and men having sex with men.
23. “HIV” means Human Immuno-Deficiency Virus.
24. “Highly Vulnerable Groups” mean long distance truckers and short duration migrant workers.
25. “IDU” means injecting drug users.
26. “IEC” means Information, Education & Communication.

27. “IFB” means an invitation for bid.
28. “Infection Control and Waste Management Plan” or “ICWMP” means NACO’s (as defined hereinafter) plan dated November 30, 2006 which, *inter-alia*, identifies the key environmental and health impacts of the Program and actions to be taken, including interventions in the areas of infection management and healthcare waste management; as such plan may be amended from time to time with the prior approval of the Association.
29. “JRMs” mean the review missions to be carried out pursuant to the provisions of paragraph A.2 of Section II of Schedule 2 to this Agreement.
30. “Letter of Undertaking” means the letter of undertaking to be executed and furnished by each Project State and its respective SIS (as hereinafter defined) to the MOHFW pursuant to paragraph B.1 of Section I of Schedule 2 to this Agreement confirming, *inter-alia*, its participation in implementing the Project in accordance with the provisions of this Agreement.
31. “Mid-Term Review” means the review referred to in paragraph A.3 of Section II of Schedule 2 to this Agreement.
32. “MOHFW” means the Recipient’s Ministry of Health and Family Welfare.
33. “MOHFW Budget” means MOHFW’s annual budget for activities under the Program.
34. “Monitoring, Evaluation, Research and Development Unit” means the unit referred to in paragraph A.2 (d) of Section I of Schedule 2 to this Agreement.
35. “MSM” means men having sex with men.
36. “NACO” means the National AIDS Control Organization within the MOHFW which is responsible for, *inter-alia*, overall implementation of the Project and the Program.
37. “NACB” means the National AIDS Control Board within the MOHFW which is responsible for, *inter-alia*, oversight of Program activities.
38. “NCA” means the Recipient’s National Council on AIDS which is responsible, *inter-alia*, for providing overall support and policy guidance to NACO on the Program and for leading a multi-sector response to HIV/AIDS.
39. “National Level Dashboard” means NACO’s Program management monitoring and evaluation plan dated November 30, 2006 setting out, *inter-alia*, the indicators on the basis of which NACO shall monitor progress of the Program at the national and state level and as set forth in the PIP.

40. “Non-pooling Development Partners” or “Non-pooling DPs” means donors other than the Association and DFID supporting the Program, including the World Health Organization, the United States Agency for International Development, and the Global Fund for AIDS, Tuberculosis and Malaria.
41. “NACP-NRHM Coordination Committee” means the committee referred to in paragraph A.2(h) of Section I of Schedule 2 to this Agreement which is responsible for, *inter-alia*, coordination amongst various health sector programs of the Recipient.
42. “NACP-III” means the Program as defined hereinafter.
43. “NGO” means a non-governmental organization.
44. “North Eastern Project States” means the states of Assam, Meghalaya, Tripura, Mizoram, Arunachal Pradesh, Manipur, Sikkim and Nagaland.
45. “NGO/CBO Guidelines” means NACO’s Guidelines dated_____, 2007 which provide for, *inter alia*, arrangements, terms and conditions, for contracting NGOs or CBOs for carrying out TI/CST Services under Parts 1 and 2 of the Project and as referred to in paragraph C of Section I of Schedule 2 to this Agreement.
46. “NRHM” means the Recipient’s National Rural Health Mission which provides for, *inter-alia*, the overall framework for Recipient’s health sector programs including NACP-III.
47. “PLHIV” means people living with HIV.
48. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
49. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 28, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
50. “Program Implementation Plan” or the “PIP” means the “National AIDS Control Programme Phase III (2007-2012) - Strategy and Implementation Plan” dated November 30, 2006 prepared by the NACO 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 with the prior approval of the Association.
51. “Procurement Audit” means the audit to be carried out by the Recipient pursuant to paragraph C.2 of Section II of Schedule 2 to this Agreement.

52. "Procurement Manual" means the manual "NACO Procurement Manual for NACP III" dated March 8, 2007 which sets forth, *inter-alia*, methods and procedures for the procurement of pharmaceuticals, medical supplies, other goods, works and consultants' services under the Program; as said manual may be amended from time to time with the prior approval of the Association.
53. "Program" means MOHFW's National AIDS Control Programme, Phase-III (2007-2012) which has four strategic objectives, namely: (i) prevention of new infections in High Risk Groups and general population; and (ii) increasing the proportion of people living with HIV who receive care, support and treatment and which is set out in the Program Implementation Plan.
54. "Project State" means any State or Union Territory of the Recipient, including any successor or successors thereto, which participates in Parts 1, 2, 3(i) and 4 of the Project;
55. "Project Executing Agencies" means any entity responsible for the implementation of the Project, and includes MOHFW, NACO, Project States, State Implementing Societies and DAPCUs.
56. "Quality Assurance and Control Unit" means the unit referred to in paragraph A.2(c) of Section I of Schedule 2 to this Agreement.
57. "Regional AIDS Support Unit" means the unit referred to in paragraph A.2 (g) of Section I of Schedule 2 to this Agreement.
58. "SACS" means the State AIDS Control Society in a Project State incorporated under the Recipient's Societies Registration Act 1860 (21 of 1860) or respective Act of the Project State, which Society is responsible for, *inter-alia*, the implementation and execution of the Project and the Program in such Project State.
59. "State Health Society" means the Society in a Project State incorporated under the Recipient's Societies Registration Act 1860 (21 of 1860) or respective Act of the Project State, which society is responsible for, *inter-alia*, the implementation and execution of various programs, including NACP-III, under NRHM in such Project State.
60. "State Dashboard" means NACO's Program monitoring and evaluation dated November 30, 2006 setting out, *inter alia*, the indicators on the basis of which NACO shall monitor the performance of the Program at the state level and as set forth in the PIP.
61. "State Implementing Society" or "SIS" means the SACS or the State Health Society, as the case may be, in each Project State which is responsible for the implementation of the Project and the Program in such State.

62. “State Annual Work Plan” means the plan prepared by each Project State together with its respective SIS in accordance with the provisions of its respective Letter of Undertaking and as referred to in paragraph (i) of Appendix 2 to this Agreement, which plan provides details of activities to be carried out by such State in a Fiscal Year.
63. “State and SIS Financial Statements” mean the financial statements prepared by each Project State and its respective SIS in accordance with its respective Letter of Undertaking and as referred to in paragraph (k)(i) of Appendix 2 to this Agreement.
64. “State Utilization Certificate” means the certificate prepared by each Project State in accordance with its respective Letter of Undertaking providing, *inter-alia*, the manner and the purposes for which the funds provided by the Recipient have been utilized by such Project State and as referred to in paragraph (j) of Appendix 2 to this Agreement.
65. “Steering Committee for Donor Coordination” means the committee consisting of Pooling Partners, including the Association, and other key Non-pooling Development Partners and as referred to in paragraph A.3 of Section I of this Schedule 2 to this Agreement.
66. “STI” means sexually transmitted infection.
67. “TI/CST Services” means services for targeted interventions and care, support and treatment under Parts 1 and 2 of the Project as defined in paragraph A.3(d) of Section IV of Schedule 2 to this Agreement.
68. “Tribal Action Plan” or “TAP” means NACO’s Plan dated November 30, 2006, which, *inter-alia*, delineates strategies to increase access to the use of HIV healthcare services by vulnerable groups including tribal populations, as such plan may be amended from time to time with the prior approval of the Association.
69. “Treatment, Care and Support Unit” means the unit referred to in paragraph A.2(b) of Section I of Schedule 2 to this Agreement.

APPENDIX 2

Letter of Undertaking

Except as the Association shall otherwise agree, the Letter of Undertaking from each Project State and its respective SIS shall include, *inter-alia*, the following provisions, wherein each Project State and its respective SIS shall:

- (l) Declare its commitment to the objectives of the Project and the Program as set forth in Schedule 2 to this Agreement, and to that end, shall agree to undertake implementation of its respective activities under the Project and the Program: (i) with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices; and (ii) to provide, promptly as needed, the funds, facilities, services and other resources required therefore.
- (m) Undertake to carry out their respective activities under the Project and the Program in accordance with the PIP, the Financial Management Manual, the Procurement Manual, TAP, ICWMP, the NGO/CBO Guidelines and this Agreement, and shall agree not to waive any provisions contained therein, without the prior approval of the Association.
- (n) Undertake to engage NGOs/CBOs for carrying out activities under Parts 1 and 2 of the Project in accordance with the provisions of paragraph C of Section I of Schedule 2 to the Financing Agreement.
- (o) Undertake to: (i) review and monitor annually the performance and the progress of NGOs/CBOs in implementation of their respective activities under the Project and the Program; (ii) carry out annual performance reviews of NGOs/CBOs using third party monitoring focusing, *inter-alia*, on purchases of pharmaceuticals and medical supplies by NGOs/CBOs according to the list referred to in paragraph C.4(c)(i) of Section I of Schedule 2 to the Financing Agreement; and (iii) on the basis of such reviews, take necessary actions to improve performance and progress, including termination of contractual arrangements, as needed, all in a manner and time frame satisfactory to the Association.
- (p) Undertake to (i) procure pharmaceuticals, medical supplies, if any, under contracts with NGOs/CBOs engaged in accordance with the arrangements referred to in paragraph (c) above, and procure other goods, works and services required for their respective activities under the Project in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, as the said provisions may be further elaborated in the Procurement Plan; and (ii) by October 31, 2007 appoint, and thereafter retain throughout the period of Project implementation, key procurement staff having experience, qualification and terms of reference satisfactory to the Association.

- (q) Undertake to establish by October 31, 2007 the following bodies with functions, staffing and resources satisfactory to the Association and the Recipient: (i) a procurement unit which shall be responsible for, *inter-alia*, supervising all procurement in the Project State; (ii) a strategic information management unit which shall be responsible for, *inter-alia*, producing periodic information related to implementation of the Program in the Project State; (iii) a finance unit which shall be responsible for, *inter-alia*, overall financial management of the Program and Project activities in the Project State; (iv) a state council on AIDS which shall be responsible for providing overall support and policy guidance on the Program to the Project State and its respective SIS; and (v) technical support units which shall be responsible for, *inter-alia*, management of targeted intervention programs with the High Risk Groups.
- (r) Agree that the Association may from time to time inspect the pharmaceuticals, medical supplies, other goods, works and consultants' services procured under the Project and the Program including all records and documents thereto.
- (s) Agree to assume and undertake the obligations set forth in Sections 4.04, 4.05, 4.06, and 4.07 (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisitions respectively) of the General Conditions in respect of the Letter of Undertaking and its portion of the Project;
- (t) Undertake to prepare and provide to MOHFW, by February 15 of each Fiscal Year, commencing 2008-09, a plan setting out, *inter-alia*, the activities under the Program proposed to be implemented by such Project State and its respective SIS in the following Fiscal Year (State Annual Work Plan), and the procurement plan for implementation of such activities, which Plan shall be in form and substance satisfactory to MOHFW and in accordance with the Financial Management Manual.
- (u) Undertake to prepare and furnish to MOHFW, by May and November of each Fiscal Year, commencing 2007-08, a certificate providing, *inter-alia*, the manner and the purposes for which the funds provided by the Recipient through MOHFW during the six months period of such Fiscal Year preceding such date have been utilized by such Project State and its respective SIS (State Utilization Certificate). Such Certificate shall be in form and substance satisfactory to MOHFW.
- (v) Agree to:
- (i) maintain a financial management system, and prepare financial statements (State and SIS Financial Statements) as set out in the Financial Management Manual, in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project, of the departments and agencies of the Project State and its respective SIS;

(ii) have the State and SIS Financial Statements referred to in sub paragraph (a) above of this paragraph (i) for each Fiscal Year audited by independent auditors acceptable to the Association, in accordance with consistently applied accounting standards acceptable to the Association; and

(iii) furnish to MOHFW, and to the Association upon request, the audited State and SIS Financial Statements for each Fiscal Year not later than six months after the end of such Fiscal Year, and such other information concerning the audited State and SIS Financial Statements and such auditors, as MOHFW or the Association may from time to time reasonably request.

(l) Agree to:

(i) maintain data management and record keeping system for ensuring proper and efficient maintenance of all information relating contracts procured under the Project and the Program, all in a manner satisfactory to the Recipient and the Association; and

(ii) furnish information relating to contracts procured under the Project and the Program, as may be reasonably requested by the Association or the Recipient.

(m) Cause select Districts in such Project State to establish by and thereafter maintain throughout the period of Project implementation:

(i) a DAPCU in form and with functions, staffing and resources satisfactory to the Association and which shall be responsible for, *inter-alia*, implementation of all assigned activities under the Project and the Program in such District; and

(ii) a District Advisory Committee in form and with functions, staffing and resources satisfactory to the Association and which shall be responsible for, *inter-alia*, implementation providing overall guidance and support to DAPCU and the District Health Society in such District.

(n) Agree to establish by and thereafter maintain throughout the period of Project implementation a Task Force on Hospital Safety in each District hospital in form and with functions, staffing and resources satisfactory to the Association and which shall be responsible for, *inter-alia*, managing hospital waste and ensuring hospital safety.

(o) Agree to:

(i) assist the Recipient in implementation of the Governance and Accountability Action Plan and to carry out their respective activities under the Project and the Program in accordance with the Governance and Accountability Action Plan;

(ii) implement the Governance and Accountability Action Plan in accordance with the objectives, policies, procedures, time schedules

and other provisions set forth therein, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing;

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

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

(v) provide a report to the Recipient on the progress achieved in the implementation of the Governance and Accountability Action Plan once every quarter.

(p) Agree to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Program, the accomplishment of the purposes of the Financing, or the performance of their respective obligations under the relevant Letter of Undertaking;

(q) From time to time, at the request of the Association:

(i) undertake to exchange views with the Association with regard to the progress of carrying out activities under the Project, their respective performances under the Letter of Undertaking and other matters relating to the purposes of the Financing;

(ii) furnish all such information related thereto as may reasonably be required by the Association; and

(iii) participate in the reviews of the Project implementation and provide relevant reports as referred to in paragraph A.2 of Section II of Schedule 2 to this Agreement.

(r) Agree to:

(i) 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 (as such term is defined in the Financing Agreement) or such later date as may be agreed for this purpose among the Association, the Recipient, such Project State and its respective SIS, a plan designed to ensure the continued achievement of the Project's objectives; and

(ii) afford the Association a reasonable opportunity to exchange views with such Project State and its respective SIS on said plan.

(s) Agree that the Recipient may suspend or terminate the right of the Project State and its respective SIS to use the proceeds of the Financing made available under the Financing Agreement:

(i) upon failure of the Project State or its respective SIS to perform any of its obligations under their Letter of Undertaking; and

(ii) upon suspension by the Association of the Financing under the Financing Agreement or upon issuance of a notice declaring an intent to suspend such Financing.

APPENDIX 3

A. Other Methods of Procurement of Pharmaceuticals, Medical Supplies, Other Goods and Services (other than Consultants' Services).

1. Limited International Bidding. With the prior approval of the Association, pharmaceuticals, medical supplies and other goods and services (other than consultants' services) 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 paragraph 3.1 and 3.2 of Section III of the Procurement Guidelines.
2. National Competitive Bidding. Pharmaceuticals, medical supplies, other goods, and services (other than consultants' services) estimated to cost the equivalent of \$1,000,000 or less per contract, and works estimated to cost the equivalent of \$2,000,000 or less per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with paragraph 3.1, 3.3 and 3.4 of Section III of the Procurement Guidelines and other provisions as agreed with the Association.
3. 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.
4. Shopping. Pharmaceuticals, medical supplies, other goods (excluding vehicles), works and services (other than consultants' services) estimated to cost to the equivalent of \$50,000 or less per contract and vehicles estimated to cost the equivalent of \$100,000 or less per contract, may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraph D of Part B of the Procurement Manual and in a manner satisfactory to the Association.
5. Direct Contracting. Pharmaceuticals, medical supplies, other goods, works and services (other than consultants' services) estimated to cost the equivalent of \$10,000 or less per contract, may be procured under contracts awarded on the basis of Direct Contracting, in accordance with the provisions of paragraph E of Part B of the Procurement Manual and in a manner satisfactory to the Association.
8. Force Account. Works estimated to cost the equivalent of \$10,000 or less per contract may be procured through Force Account in accordance with the provisions of paragraph F of Part B to the Procurement Manual and in a manner satisfactory to the Association.

B. Other Methods of Procurement of Consultants' Services

1. Quality based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines maybe provided under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraph 3.1 and 3.4 of the Consultant Guidelines.
2. Least-cost Selection. Services for small assignments estimated to cost the equivalent of \$50,000 or less per contract may be awarded in accordance with the provisions of paragraph X of Part C to the Procurement Manual.
3. Selection Based on Consultants' Qualifications. TI/CST Services estimated to cost the equivalent of \$150,000 or less per contract, mass media and IEC services estimated to cost the equivalent of \$100,000 or less per contract and other consultants' services estimated to cost the equivalent of \$50,000 or less per contract may be procured under contracts awarded in accordance with the provisions of paragraph 3.1, 3.7 and 3.8 of the Consultant Guidelines.
4. Single Source Selection. TI/CST Services estimated to cost the equivalent of \$150,000 or less per contract, mass media and IEC services estimated to cost the equivalent of \$100,000 or less per contract and other consultants' services estimated to cost the equivalent of \$50,000 or less per contract may be procured in accordance with the provisions of paragraph 3.1 and 3.9 through 3.13 of the Consultants Guidelines.
5. Service Delivery Contractors. Services for assignments which meet the requirements set forth in the first sentence of paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 and 3.21 of the Consultant Guidelines.
6. Individual Consultants. 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.

Governance and Accountability Action Plan (GAAP) **Third National HIV/AIDS Control Project**

Introduction

NACO, Ministry of Health and Family Welfare (MOHFW), GOI is fully committed to improve governance and accountability by ensuring efficient program management, sound financial management, and better competition and transparency in procurement and supply of health sector goods and services required for delivery of quality services in all its programs. Various mechanisms such as the NACB (for overseeing the program management), NACO Finance Unit (for financial management), NACO Procurement Unit (for procurement of services, monitoring of procurement by SIS and supply chain management) and EPW (for procurement of pharmaceuticals and medical supplies and other goods) are established for this purpose.

Scope and Purpose

NACO, MOHFW has developed this Governance and Accountability Action Plan (GAAP), in consultation with the Pooling Partners (the Bank and DFID), to summarize critical operational concerns relating to program management, financial management and procurement in NACP III. The key issues and actions to address these concerns are included in the matrix below.

The GAAP applies to NACP Phase III supported by the Bank and other Pooling Partners, articulating the specific roles and responsibilities of different stakeholders (public, private and civil society institutions).

The GAAP will be strengthened, as necessary, based on risks identified and the recommendations of the RCH I investigations, the DIR, the procurement review by the EPW consultant, and the report on the quality and quantity of pharmaceuticals and medical goods.

The Bank financed “Food and Drugs Capacity Building project (Credit No. 37770)” would also support some of the broader issues related to strengthening of regulatory institutions especially effective implementation of GMP in the pharmaceutical sector as envisaged under the GAAP.

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
<p>Improving quality assurance mechanism</p>	<p>Implement the quality assurance mechanism agreed to by MOHFW (listed below).</p> <p>Making WHO GMP (TRS 863) certification mandatory for ICB.</p> <p>Pending new certification procedures (see next bullet) ensuring 100% post certification of all successful bidders recommended for award of the contract on the basis of existing WHO GMP certificates.</p> <p>Agreeing on actions for GMP certification process and implementation arrangements satisfactory for pooling partners for non-ICB procurement of pharmaceuticals and medical supplies under pooled financing.</p> <p>NGO/CBO will be allowed to procure pharmaceuticals and medical supplies under the service contracts issued to them following the provisions contained in NGO/CBO Guidelines.</p>	<p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p> <p>Completing the agreed actions and incorporating recommendations from the DIR in the GAAP will make non-ICB procurement eligible for pooled financing.</p> <p>Agreed, to begin from April 1, 2007</p>	<p>NACO, MOHFW (to coordinate for SIS and act as nodal point)</p>
<p>Increasing competition and mitigating collusion</p>	<p>Finalizing future lot size, estimated prices and qualification criteria for procurement of pharmaceuticals and medical supplies based on market surveys about availability of products, prices and production capacities of manufacturers.</p>	<p>Agreed, to begin from April 1, 2007. Based on toolkit developed by the Bank, the first round of market survey of pharmaceuticals has been completed.</p> <p>Agreed, to begin from April 1, 2007</p>	<p>NACO & MOHFW (to coordinate for SIS and act as nodal point)</p>

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
	<p>Including a qualification requirement of a minimum share of at least 20% revenue to be derived from non-Bank financed contracts in bid documents.</p> <p>Seeking “list of references” in the form of an affidavit in case of supplies made to public sector in past contracts. In the case of supplies made to the private sector in the past, affidavit as well as supporting evidence will be sought.</p> <p>Including “independent experts” in the bid evaluation process.</p> <p>Sharing record of public opening of bids for all contracts with the Pooling Partners within two working days.</p> <p>Ensuring payment within 30 working days of receiving the bill with supporting documents from the suppliers or communicating deficiency in the bill within 15 working days.</p> <p>Establishing clear and concise bid evaluation criteria.</p> <p>Evolving generic and broad technical specifications</p>	<p>Agreed, to begin from April 1, 2007. NACO/SIS will verify the authenticity of referred documents on past performance only for the successful bidder.</p> <p>Agreed, to begin from April 1, 2007.</p> <p>Agreed, to begin from April 1, 2007.</p> <p>Agreed, to begin from April 1, 2007.</p> <p>Agreed, to begin from April 1, 2007.</p> <p>Agreed, to begin from April 1, 2007.</p> <p>Agreed, to begin from April 1, 2007. MOHFW has compiled a database of generic technical specifications for commonly procured equipment, which has been disclosed on their website. The database is currently being refined to make it more useful.</p>	

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
<p>Strengthening procurement implementation and contract monitoring</p>	<p>Strengthening procurement capacity at NACO and SIS, including engagement of external consultants, if necessary.</p> <p>Establishing a “procurement monitoring and complaints” database* to monitor adherence to the standards listed in the Procurement Manual. This database would be online with restricted access.</p> <p>Developing and deploying software for the early identification of indicators of fraudulent or corrupt practices.</p>	<p>The capacity at NACO to be strengthened for handling the procurement of services, effective monitoring of procurement and supply chain management. All the key procurement related posts are to be filled by October 31, 2007. Procurement arrangements at SIS to be reviewed by NACO and strengthened suitably. All the key procurement related posts are to be filled by October 31, 2007.</p> <p>Agreed, to begin from April 1, 2007. Manual database established in MOHFW and computerized database is expected by March, 2007. NACO/ SIS to follow the same format.</p> <p>Software at MOHFW to be developed by July 1, 2008. NACO/SIS to use the same software thereafter</p>	<p>NACO & MOHFW (to coordinate for SIS and act as nodal point)</p>
<p>Handling procurement complaints</p>	<p>Updating the “Procurement monitoring and complaints” database on a monthly basis.</p> <p>Listing and discussing all complaints received and actions taken in the bid evaluation report.</p> <p>Providing details of the administrative process for the disqualification of bidders who engage in</p>	<p>Manual database established in MOHFW and computerized database to be operational by March, 2007. NACO/SIS to follow the same database format thereafter</p> <p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p>	<p>NACO & MOHFW (to coordinate for SIS and act as nodal point).</p>

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
	<p>misrepresentation in the bid process or in contract execution.</p> <p>Reporting the status of investigation of complaints and measures taken in quarterly progress reports to the Secretary (Health & Family Welfare).</p> <p>Sharing complaints status with the pooling partners once every quarter.</p>	<p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p>	
<p>Disclosing Information and promoting oversight by the civil society</p>	<p>Making publicly available all annual procurement schedules for ICB and NCB promptly after finalization on the NACO website.</p> <p>Posting all bidding documents and requests for proposals (RFP) for all procurements above US\$100,000 on the NACO website.</p> <p>Making available to any member of the public promptly upon request all shortlist of consultants and in case of pre-qualification, list of pre-qualified contractors and suppliers.</p> <p>Disclosing information on prequalification, all bids received reasons for rejections, and award of contracts on the NACO website and sharing the same with the pooling partners to disclose at their preferred websites.</p>	<p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p> <p>Agreed, to begin from April 1, 2007</p>	<p>NACO & MOHFW (to coordinate for SIS and act as nodal point).</p>

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
	<p>Posting annual progress (program and financial information) and Mid Term Review reports of the program on the NACO website.</p> <p>Posting annual reports of the SIS on program performance, including the audited financial statements on the websites of NACO/ SIS.</p> <p>Moving to e-procurement.</p>	<p>Agreed, to begin from April 1, 2007</p> <p>Agreed and to be introduced after project effectiveness in phased manner.</p> <p>Will be developed under the Bank supported E-Bharat project.</p>	
Improving Program Management	Use the Dashboards at National and SIS level to effectively monitor the performance of the program and Implementing Agencies	Agreed, to begin from April 1, 2007	NACO & MOHFW (to coordinate for SIS and act as nodal point).
<p>* The database should specifically allow: (i) complete and adequate record keeping and retrieval of all documents supporting each bid including unit prices quoted and prices at which contracts are awarded; (ii) quantities and dates of supply as per the contract and actual; (iii) rejection of supplies, if any, with reasons; (iv) date bill received, value, and date of payment and (v) complaints received, responses sent and actions taken by dates.</p>			

