

**REPUBLIC OF INDIA
THIRD NATIONAL HIV/AIDS CONTROL PROJECT**

**MINUTES OF NEGOTIATIONS
between
The Government of India
and
The International Development Association**

Delhi, February 26- March 9, 2007

A. GENERAL

1. Negotiations for a proposed IDA Credit of SDR 167.9 Million (US\$ 250 million equivalent) for the proposed Third National HIV/AIDS Control Project (the Project) were held between the representatives of the Government of India (GOI) (the Indian Delegation) and the International Development Association (the IDA Delegation) at the World Bank's New Delhi office from February 26 to March 9, 2007. Representatives of the United Kingdom Department for International Development (DFID), who would be pooling funds with IDA (IDA and DFID collectively referred to as the Pooling Partners) in supporting the National AIDS Control Programme Phase III (2007-2012) (the Program), joined the negotiations as observers. The list of attendees from the Indian delegation, DFID and IDA is attached to these Minutes (**Annex 1**).

2. Purpose of the Minutes: During negotiations, the two delegations discussed the draft Financing Agreement (draft FA) dated January 17, 2007, the draft Project Appraisal Document (PAD) dated January 19, 2007, the Procurement Manual and procurement plan, the draft Disbursement letter, including interim un-audited financial reports (IFRs) , Governance and Accountability Action Plan dated January 19, 2007, the NGO/CBO guidelines, and the draft Memorandum of Understanding among GOI, IDA and DFID. These documents are hereinafter referred to as "Project Documents". These Minutes of Negotiations are not a complete record of the negotiations, but intended to record and clarify certain understandings with respect to the Project Documents.

3. IDA Credit: It was agreed that the total IDA Credit for the Project will be SDR 167.9 Million, equivalent to US\$ 250 million, based on the exchange rate of January 31, 2007.

4. Compliance with Conditions of Negotiations: The Indian delegation confirmed that all conditions for negotiations have been met and provided the IDA team with relevant documentation.

UNDERSTANDINGS REACHED

B. Project Appraisal Document (PAD)

5. Disclosure of Information: The Indian delegation agreed that the revised version of the PAD dated March 9, 2007, after incorporating the comments agreed during these discussions, does not contain confidential information, which would restrict its release to the public, in accordance with the Bank's policy on Disclosure of Information.

C. FINANCING AGREEMENT (FA): The two delegations agreed on the draft Financing Agreement version dated March 9, 2007.

6. Schedule 2, Section I.A.3.-Steering Committee for Donor Coordination: Terms of Reference for this Committee will be prepared by NACO and agreed upon by the Pooling Partners by October 31, 2007.

7. Schedule 2, Section I.D.3(a) and 3(b): (i) The Indian Delegation clarified that the reviews referred to in paragraph D.3(a) of Section I of Schedule 2 are ongoing and are expected to be completed in accordance with terms of reference satisfactory to the Association not later than March 31, 2008. The GOI will expeditiously share with the Association the reports of said reviews.

(ii) The IDA Delegation clarified that the review referred to in paragraph D.3(b) of Section I of Schedule 2 is the detailed implementation review of: (i) Tuberculosis Control Project (Credit No. 2936-IN); (ii) Malaria Control Project (Credit No. 2964-IN); (iii) National HIV/AIDS Control Project (Credit No. 3242-IN); (iv) Orissa Health Systems Development Project (Credit No. N041-IN); and (v) Food and Drugs Capacity Building Project (Credit No. 3777-IN), currently being carried out by the Association.

(iii) The Indian delegation confirmed its agreement and full support to the carrying out of the review referred to in (ii) above. The Indian delegation clarified that the GOI will provide its documents and information set forth in **Annex 2** for facilitating said review by the Association under terms of reference set forth in **Annex 3**. The Indian delegation also confirmed that it will make every effort to obtain the information and documentation from the states.

(iv) The MOHFW will make every effort to ensure the continuity of key Project staff in the MOHFW until the completion of the review referred to in (ii) above and the further strengthening of the GAAP referred to in paragraph D.3 of Section I of Schedule 2 to the FA. The Indian delegation further clarified that the MOHFW has designated a nodal officer to facilitate the carrying out of said review.

8. Schedule 2, Section II.A.1 (Performance Monitoring Indicators): The two Delegations agreed on the Performance Monitoring Indicators which are set out in a supplemental letter, a draft of which is attached (**Annex 4**) and which will be signed by the GOI at the time of signing of the Financing Agreement.

9. Schedule 2, Section II.B.2: The agreed formats for interim un-audited financial reports (IFRs) which reflect (a) expenditures on pharmaceuticals and medical supplies by NACO, States and State Implementation Societies; and (b) consultancy fee payable by MOHFW to the procurement agent(s) are attached to the agreed Draft Disbursement Letter (Annex 6).

10. Schedule 2: Section II.B.3 and Section II.B.4(a):

(a) Financial Statements: IDA delegation confirmed that with respect to (i) expenditures incurred by NACO, a statement of Sources and Uses of funds prepared on cash basis; (ii) expenditures incurred by State Implementation Societies, a balance sheet, income &

expenditure, receipts & payments together with the accounting policies, as documented in the FM Manual, and notes to accounts will constitute acceptable Financial Statements. The Indian delegation confirmed that the audited Financial Statements from the States and State Implementation Societies will separately reflect expenditures incurred on pharmaceuticals and medical supplies.

(b) Audit: The Comptroller and Auditor General of India (C&AG) would constitute an 'independent auditor' acceptable to the Association for the audit of the Financial Statements of NACO. Notwithstanding the right of C&AG to conduct audit of State Implementation Societies, the Financial Statements of each State Implementation Society will be audited by a firm of Chartered Accountants as set out in the Financial Management Manual. The Terms of Reference (TOR) for the Auditors of State Implementing Societies as laid down in Annex IX of the Manual are acceptable to the Association. In addition, the IDA Delegation confirmed that the auditing standards of the C&AG and the Auditing & Assurance Standards issued by the Institute of the Chartered Accounts of India would constitute auditing standards acceptable to the Association. In accordance with the revised procedures of C&AG, the TOR for audit of financial statements of NACO will be sent by GOI to the C&AG latest by March 31, 2007, for seeking its concurrence.

11. Schedule 2, Section II. B. (5) (a) (Consolidated Report on Audits): The Indian Delegation confirmed that the Consolidated Report on Audits (the Report) will include a consolidation of the certified project expenditure, the amount disallowed, if any, by the auditors for the relevant fiscal year and the amounts recertified, if any, for the previous fiscal year. This information will be provided separately for each project state/union territory and for the Program as a whole. The Indian Delegation further confirmed that the Report will also provide information on key observations forming part of the audit report of each project executing agency. In case of late submission of an audit report by a state, GOI will not hold back submission of the Consolidated Report on Audit to the Association on the due date. If such reports are submitted to GOI at a later date, the same would be factored in the disbursement of the following fiscal year, provided a revised Consolidated Report on Audits is submitted to the Association before May 31 for such following fiscal year.

12. Schedule 2, Section II.C.1 (Procurement Staff): The Indian delegation informed that one dedicated procurement staff/consultant will be in place by March 31, 2007 to handle the procurement of services at NACO. The IDA Delegation clarified that positioning of this staff/consultant will be a condition prior to the circulation of the documents to the Board.

13. Schedule 2, Section II.C.2(a) (Procurement Audits): The IDA Delegation confirmed that management consultancy organization, Chartered Accountant firms or independent institutions having relevant experience will constitute 'independent auditors' acceptable to the Association. The model terms of reference for procurement audit of NACO and SIS are attached as **Annex 5** which will be submitted to the formal No Objection of the Association at the time of selection of such independent auditor.

14. Schedule 2, Section III.A.4(b) With regard to the procurement agent to be engaged by the Recipient pursuant to this paragraph, it was clarified that pending appointment and

operationalization of such procurement agent, agreed urgent procurement above the threshold agreed for the procurement agent, will be handled by Empowered Procurement Wing of MOHFW under an oversight arrangement agreeable to the Association. It was further clarified that agreed urgent procurement means the procurement identified to be undertaken in first 18 months of the program in NACO's procurement plan, dated February 28, 2007. It was clarified the said procurement agent will be appointed by March 31, 2007.

15. Schedule 2, Section III.A.5 (Procurement Methods and Reviews): The Indian Delegation clarified that to the extent possible, contracts for goods and works will be packaged and discounts invited for benefiting from economies of scale and improved competition. The IDA Delegation clarified that packaging of contracts will be reviewed by the Association as a part of approval of the Procurement Plan updated by the GOI annually in accordance with the provisions of paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines.

16. Schedule 2, Section IV.A.1: Draft Disbursement Letter: The two Delegations reviewed and agreed on the draft Disbursement Letter, attached as **Annex 6**, which will be finalized and provided at the time of the signing of the Financing Agreement.

17. Schedule 2, Proviso to Section IV.A.3(a): It was clarified that the existing procurement arrangements of MOHFW for condom that involve preferential treatment to one manufacturer are not in line with the procurement arrangement agreed for the project. As and when MOHFW decides to follow the procurement arrangements satisfactory to the Association, the Association will consider financing of condoms from the proceeds of the Financing. Government of India will provide IDA with regular reports on the quality of the condoms which it will procure for the Program.

18. Schedule 2, Section IV.A.3(b) (Eligible Program Expenditures): The two delegations agreed that Eligible Program Expenditures will be actual reported expenditures confirmed by the audit reports and not fund transfers to the States or Central level implementing units.

19. Schedule 2, Section IV, Proviso I to paragraph A.3(e) (Other Eligible Expenditures): The IDA Delegation clarified and the Indian delegation agreed that the expression "mutually acceptable solution" referred to in proviso I to paragraph A.3(e) of Section IV to the Financing Agreement may include: (a) arrangements and procedures to strengthen the procurement of pharmaceuticals and medical supplies by NGO/CBOs; or (b) arrangements and procedures for the procurement of said pharmaceuticals and medical supplies through arrangements other than NGO/CBOs.

20. Schedule 2, Section IV, Proviso II to paragraph A.3(e) (Other Eligible Expenditures): The IDA Delegation clarified and the Indian delegation agreed that the expression "mutually acceptable solution" referred to in proviso II to paragraph A.3(e) of Section IV to the Financing Agreement may include: (a) arrangements and procedures to strengthen the procurement of contracts for services by NACO; or (b) arrangements and procedures for the procurement of said contracts for services through arrangements other than NACO.

21. Schedule 2, Section.IV.A.3(g) (Operating Costs): The two Delegations agreed that reference to “salaries” in the said paragraph includes, inter alia, salaries of staff on deputation for the purpose of carrying out the Project.

22. Schedule 2, Section IV.B.1 (a): The Indian Delegation confirmed that the Interim Financial Reports (IFR) for the year 2007-08 will indicate separately the expenditures incurred during the retro-active period (i.e. from April 1, 2007, to the credit signing date). Given a quarterly financial reporting from the states to GOI, it was agreed that for the purpose of reporting, retro-active period would be considered through the quarter ending nearest to the credit signing date.

23. Schedule 2, Section IV.B.1(b) – Arrangements for addressing concerns on Revised Schedule M:

(a) The IDA delegation clarified that use of GMP standards acceptable to the Association for the procurement of pharmaceuticals and medical supplies will be applicable as qualification criteria in bid documents for ICB, LIB and NCB.

(b) The arrangements for addressing concerns related to Schedule M of Drugs and Cosmetics Act 1940 revised on 11th December 2001 referred to in this paragraph would be satisfactory provided they include: (i) Modifying the technical notes prepared by MOHFW for supplementing the GMP inspection procedure by incorporating the feedback provided by the Association and training the inspectors in implementing these technical notes; and (ii) The arrangements for addressing concerns related to Schedule M of Drugs and Cosmetics Act 1940 revised on 11th December 2001 referred to in this paragraph would be satisfactory provided they include: (i) Updating the technical note (prepared by MoHFW) by incorporating the feedback provided by the Association for more effective implementation of GMP inspection procedures and training the inspectors in implementation; and (ii) Implementing the agreed GMP inspection procedures through a group of designated and adequately trained inspectors".

The intention is to move towards developing a cadre of inspectors with capacity to undertake comprehensively all types of GMP inspections. This capacity will be reviewed by the Association in October 2007 as a part of its supervision of the ongoing Food and Drugs Capacity building project. The findings from this review, as agreed by GOI and the Association, will be incorporated in to the GAAP.

24. Appendix 1, paragraph 20 (Governance and Accountability Action Plan) (GAAP):

(a) The delegations discussed and agreed on a revised version of the GAAP, dated March 9 2007 which is attached as **Annex 7**. The delegations agreed that the following provision "However, no bid would be rejected on the basis of non submission of documents on past performance above referred to" relating to “increasing competition and mitigating collusion” will not form part of the GAAP but will be suitably addressed in the Standard Bidding Documents of the Project. The Indian Delegation confirmed and agreed that the Ministry of Health and Family Welfare will issue an addendum to replace

the existing GAAP in its “National AIDS Control Programme Phase III (2007-2012)-Strategy and Implementation Plan” dated November 30, 2006 with the revised GAAP dated March 9, 2007. It was agreed that NACO will start building up the database of contracts issued under the project from April 1, 2007 onwards for the purpose of selecting samples for the post reviews to be conducted by the Association and NACO and also for running the software being developed by MOHFW for early detection of fraud and corrupt practices.

(b) The Paragraph referring to “handling procurement complaints” of the matrix in the GAAP: The Indian Delegation shared with the IDA Delegation the details of administrative process for disqualification of bidders referred to in this paragraph. A copy of the same is attached as **Annex 8**.

25. Appendix 1, paragraph 46 (NGO/CBO Guidelines): The two delegations discussed the Draft NGO/CBO Guidelines for TI and CST contracts, dated February, 2007. While IDA praised the draft guidelines, it was recommended that the document be strengthened in several areas: (a) an introductory chapter to provide the context and describe the institutional arrangements between the SACS and NGO/CBOs; (b) clear criteria on identification of NGOs that are consistent across sections of the document; (c) strengthened grievance procedures; (d) provision of a list of WHO/GMP certified pharmaceutical firms; (e) involvement of the SACS procurement specialist in the selection process for NGO/CBO; (e) consistency between the indicators for performance monitoring of the NGO/CBOs and the overall Monitoring and Evaluation framework for NACP III; (f) instructions on ICWMP as it applies to NGO/CBOs; and (g) special guidance for NGO/CBOs operating in tribal areas consistent with the TAP. A final version of the NGO/CBO Guidelines will be provided to IDA by March 31, 2007. The IDA Delegation clarified that submission of the revised NGO/CBO Guidelines will be a condition prior to the circulation of the documents to the Board.

26. Appendix 3, paragraph A.2 (National Competitive Bidding): The following provisions constitute “other provisions agreed with the Association”:

- a) The IDA Delegation noted that paragraph 1.14(e) of the Bank’s Procurement Guidelines dated May, 2004 relating to Bank’s right requiring bidders, suppliers and contractors to permit the Bank to inspect their accounts and records would need to be included in the bidding documents for the Project.
- b) National Competitive Bidding will be conducted in accordance with paragraph 3.3 and 3.4 of the Guidelines and the following provisions:
 - i) Only the model bidding documents for NCB agreed with the GOI Task Force (and as amended for time to time), shall be used for bidding;
 - ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
 - iii) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises or enterprises from any given State;

- iv) Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder;
 - v) Extension of bid validity shall not be allowed without the prior concurrence of the Bank (i) for the first request for extension if it is longer than four weeks; and (ii) for all subsequent requests for extension irrespective of the period (such concurrence will be considered by Bank only in cases of Force Majeure and circumstances beyond the control of the Purchaser/Employer);
 - vi) Re-bidding shall not be carried out without the prior concurrence of the Bank. The system of rejecting bids outside a pre-determined margin or "bracket" of prices shall not be used in the project;
 - vii) Rate contracts entered into by Directorate General of Supplies and Disposals, will not be acceptable as a substitute for NCB procedures. Such contracts will be acceptable however for any procurement under Shopping procedures;
 - viii) Two or three envelope system will not be used.
- c) 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 Tender, which is the National Competitive Bidding without open advertisement. All other provisions of NCB 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 for NCB will also be applicable for Limited Tender.

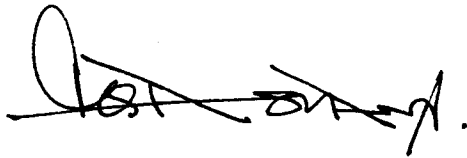
ADDITIONAL MATTERS

27. Program Financing. Financing plans for NACP III shared with IDA indicate that the early years of the Program are fully financed. However, a financing gap exists for the latter years of the Program for which GOI proposes to seek additional external support. Should such support not be received from other partners and the achievement of Program objectives become critically dependent on additional financing, GOI may approach IDA for such funding. IDA would consider supplemental financing in accordance with its applicable policies and procedures, and only when satisfied that implementation of the Project, including disbursement and substantial compliance with credit covenants, is satisfactory. Performance would be measured in terms of program and financial/disbursement indicators.

28. In response to a specific query from the Indian Delegation, the IDA delegation confirmed that various business units in IDA will adhere to their internal business standards to the extent possible in terms of the response time when dealing with GOI for this project. The IDA delegation also clarified that the stipulated response time period starts only after a complete set of documentation regarding a case is received by IDA.

29. The Indian Delegation confirmed that the General Procurement Notice (GPN) for the project will be forwarded for publication by March 15, 2007. The IDA Delegation clarified that publishing of GPN will be a condition for Board presentation.

30. The two delegations and DFID observers discussed the draft MOU amongst the Pooling Partners and the GOI. The agreed draft MOU is attached as **Annex 9**.



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Director
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Additional Secretary and Director General
National AIDS Control Organization
Ministry of Health and Family Welfare
Government of India

New Delhi, India
March 9, 2007

Attachments:

- Annex 1: Participants and Observers to the Negotiations of the Third National AIDS Control Project
- Annex 2: List of Documents and Information to be provided for DIR
- Annex 3: Terms of Reference, Detailed Implementation Review (DIR)
- Annex 4: Supplementary Letter and Performance Monitoring Indicators
- Annex 5: Terms of Reference for procurement audit
- Annex 6: Draft Disbursement Letter
- Annex 7: Agreed Governance and Accountability Action Plan dated March 9, 2007
- Annex 8: Administrative Process for Disqualification of Bidders
- Annex 9: Memorandum of Understanding with DFID and GOI

**Participants and Observers to the Negotiations of the
Third National AIDS Control Project**

Government of India

Mr. Prashant, Director, Department of Economic Affairs, Ministry of Finance
Ms. Sujatha Rao, Additional Secretary and Director General, National AIDS Control Organization
Mr. K. Suresh Kumar, Director, Finance, National AIDS Control Organization
Dr. D. Bachani, Joint Director, National AIDS Control Organization
Mr. Vijay Kumar Reehl, UnderSecretary, Finance & Procurement, National AIDS Control Organization
Mr. Krishna Kumar, Consultant Finance, National AIDS Control Organization
Dr. K. Sudhakar, Lead Member, Third National AIDS Control Project Planning Team

IDA Delegation

Dr. Kees Kostermans, Lead Public Health Specialist, Task Leader
Dr. Suneeta Singh, Senior Public Health Specialist, Task Leader
Mr. Peter Berman, Lead Economist, Health
Mr. Syed Ahmed, Lead Counsel
Ms. Shellka Arora, Legal Associate
Mr. Mohan Gopalakrishnan, Senior Financial Management Specialist
Mr. Shanker Lal, Procurement Specialist
Ms. Julie-Anne Graitge, Program Assistant
Ms. Roselind Rajan, Team Assistant

Observers DFID

Ms. Silke Seco-Grutz
Ms. Jeena Abraham
Mr. Chris Murgatroyd

List of documents and information to be furnished by the Recipient to the Association for the purpose of enabling the Association to carry out detailed implementation review (DIR) of health sector projects financed by the Association.

For each of the projects referred to in paragraph 7(ii) of the Minutes, a complete list of the documentation required will be provided to the Recipient identifying the type of data required based upon the procurement method used (ICB, NCB, Local Shopping, Direct Contracting, QCBs etc.)

The Recipient, through the Procurement Support Agents (PSAs) and the Project Implementing Units (PIUs) will provide to the Association's office at New Delhi all the information and documents requested, including a full list of all contract awards (covering all methods of procurement such as International Competitive Bidding, National Competitive Bidding, local shopping and direct contracting) with detailed information about each of the contracts. This information will contain the following data and will be provided in electronic format (MS Excel or MS Access):

- Contract number;
- Contract description;
- Contract date;
- Contract amount;
- Procurement method;
- Number of bidding documents sold;
- Number of bids received;
- Names of all bidders;
- Amount quoted by all bidders;
- Bid securities: number and date of the bid security and name of financial institution issuing the bid security; and
- Name of the winning bidder;

The Recipient, through the PSAs and PIUs, will also provide to the Association's Office at New Delhi, complete procurement package documentation for each contract awarded, including:

- Bidding documents;
- Contract;
- Bid Evaluation Reports;
- Full copies of the winning and losing bids;
- Copies of all bid securities (when applicable);
- Correspondence between the PIU/PSA and the bidders and/or the Bank including 'No Objection Letters' (if applicable);
- Multiple quotations and justifications for selection; and
- Justifications for direct contracting or sole sourcing.

The above information will also be provided in electronic form.

Detailed Implementation Review

1. Terms of Reference

Purpose

The Detailed Implementation Review (DIR) is an in-depth review methodology designed to identify indicators of fraud, collusion and corruption in procurement, financial management and implementation under Bank financed projects. This DIR has been launched in response to INT's findings of systemic corruption under the Reproductive and Child Health Project I. The purpose is to identify fraud and corruption in the procurement and implementation phases with a view to identifying areas that need to be strengthened.

Scope

The DIR will cover the following projects: Tuberculosis Control Project, Malaria Control Project, National HIV/AIDS Control Project, Orissa Health Systems Development Project, and Food and Drugs Capacity Building Project.

Approach

The DIR is divided into the following phases:

1. *Project Identification*: This phase has already been completed by the DIR team in conjunction with the World Bank office in Delhi (WBOD).
2. *Selecting the States*: As most of the projects selected are nationally implemented, the DIR team will select four or five states in which those projects have been/are being implemented.
3. *Appointment of a GoI coordinator and Briefing of Relevant Senior GoI officials*: The GoI appoints a coordinator to facilitate various meetings and accompany the DIR team to those meetings. The purpose of these meetings will be to brief the senior health ministry officials who have responsibility for each of the projects on the DIR methodology and to secure their full cooperation.
4. *Briefing of PSA's and PIU's – Document, Inventory and Delivery Request*: The DIR team accompanied by the GoI coordinator conduct briefings of the relevant Procurement Support Agencies (PSAs) and Project Implementation Units as to the procurement documentation that they are required to locate, inventory, collate and provide to the DIR team at the World Bank Office in Delhi. The documentation request list is contained in Annex B.



5. *PSA's and PIU's Commence Collection and Collation of Documents:* The PSA's and PIU's identify the complete lists of contracts, locate the documentation and assemble it in contract sets in accordance with the document request list. The contracts lists are provided to the DIR team for verification purposes.
6. *Documentation delivery:* The contract documentation is delivered to the DIR team at the WBOD.
7. *Data Inputting, Analysis and Identification of Specific Contracts for Detailed Review:* The DIR team enters relevant data into its database and performs detailed analyses of that data. A selected number of contracts are then identified for in depth review.
8. *In Depth Review Phase:* The DIR team conducts field missions to review procurement, financial management and implementation under the selected contracts.
9. *Preparation of Report and Recommendations*
10. *Collaboration with GoI for the Implementation of Recommendations*
11. *Preparation and issuing of Debarment Notices and Referrals*

Output

The DIR will result in a report with identified weaknesses and recommendations for the government and Bank operations. Furthermore, the review may result in the preparation of notices and debarment and referrals as detailed in phases 9 and 11, *see above*.

Duration

It is anticipated that the time required for the DIR team to complete its review will take approximately six months from the date that the PSAs and the PIUs comply with the Bank's DIR document request, *see phase 5 and 6 above*.

Management

The DIR of the Bank's health portfolio in India will be conducted by the Department of Institutional Integrity (INT) of the World Bank under the guidance of INT's Forensic Services Unit (FSU).

INDIA

_____, 2007

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Re: INDIA: Credit No. _____
(Third National HIV/AIDS Control Project)
Performance Monitoring Indicators _____

Dear Sirs and Mesdames:

This refers to paragraph A.1 of Section II of Schedule 4 to the Financing Agreement of even date herewith between India and the International Development Association (the Association) for the Third National HIV/AIDS Control Project.

Unless otherwise agreed with the Association, India shall monitor and evaluate implementation of the Project in accordance with the Performance Monitoring Indicators set out in the Annex hereto.

Very truly yours,

INDIA

By _____
Authorized Representative

Attachment: Performance Monitoring Indicators

Performance Monitoring Indicators

Project Outcome Indicators	Data Collection and Reporting					Responsibility for Data Collection
	Baseline Yr 0	Mid-term Yr 3	End Yr 5	Frequency and Reports	Data Collection Instruments	
Project Development Objective						
Percentage of FSW who report using a condom with their most recent client	50%	70%	80%	Tri-annual analysis of BSS reports	National BSS	NACO
Percentage of MSW who report using a condom with their most recent client	20%	40%	60%	Tri-annual analysis of BSS reports and special studies	National and local BSS and special studies	NACO
Percentage of IDUs who have adopted behaviours that reduce transmission of HIV, that is who avoid both sharing injecting equipment during the last month AND who report using a condom with their most recent sexual partner	30%	50%	70%	Tri-annual analysis of BSS reports and special studies	National and local BSS and special studies	NACO
Number of people with advanced HIV infection receiving antiretroviral combination therapy	42,000	230,000	340,000	Annual analysis of antiretroviral program records	CMIS ART patient tracking records	NACO
Intermediate Outcome Indicators						
Percentage of FSW reached through TI in the last 12 months	20%	30%	60%	Tri-annual analysis of BSS reports	National BSS	NACO
Number of TI implemented by target group	1,000	2,000	3,000	Annual analysis of CMIS reports	CMIS	NACO
Percentage of SACS who achieve at least 80% of planned expenditure targets	—	50%	80%	Annual analysis of CMIS reports	CMIS	NACO
Percentage of districts which have done high risk mapping	—	50%	80%	Annual analysis of CMIS reports	CMIS	NACO
Percentage of SACS that submit their most recent dashboards to NACO on time	—	50%	80%	Annual analysis of CMIS reports	CMIS	NACO
Percentage of relevant districts which have mapped HRGs in tribal areas and developed Tribal Action Plans.		85%	100%	Annual analysis of CMIS reports	CMIS	NACO

MODEL TERMS OF REFERENCE FOR POST AUDIT OF PROCUREMENT UNDER NACP-III

1. Background

The Third National Aids Control Project (NACP-III) involves procurement of goods, drugs and medical supplies, services and small works. Financing Agreement for NACP-III requires post audit by the government covering all the procurement undertaken at centre (NACO, EPW and the Procurement Agent), state (SIS) and NGO/CBO levels.

2. Statement of Objectives

The overall objectives of this assignment is to provide feedback to NACO, Ministry of Health & Family Welfare (MoHFW), Government of India on whether the procurement procedures and arrangements agreed for the project have been adhered to, whether the funds disbursed to finance the project activities are used for the purposes intended, are eligible for financing, are correctly authorized under procurement procedures as stated under agreed procurement arrangement, and are used in ways which mitigate the chances of wastage or misuse. This audit is also to provide feedback on the continuing adequacy of internal control procedures and systems used by the Borrower for project implementation. More specific objectives of the audit are as follows:

- Determine whether the procurement procedures and arrangements outlined in the procurement manual and other legal documents are being used;
- Determine whether assets procured exist on the ground at the appropriate location, are properly accounted for;
- Audit and comment on contract management issues as dealt with by the implementing agencies;
- Audit and assess the capacity of the implementing agencies in handling procurement to determine whether adequate systems for procurement planning, implementation, and monitoring and documentation are maintained per required standards; and
- Highlight any indication of fraudulent and corrupt practices in procurement and contract management that should be considered for further investigation; and
- Recommend a Plan of Action to address critical weaknesses identified by the audit

3. Scope of the Assignment

- The consultant will audit the contracts/purchase orders issued at centre (NACO, EPW and the Procurement Agent), state (SIS) and NGO/CBO levels on annual basis (coinciding with the financial year of the Government of India).
- At least 10% contracts issued at each of the levels are to be audited. The sample should be representative to the extent possible viz. various items (goods, drugs and medical supplies, works and services) are to be covered under the audit and larger value contract should be given preference.
- The checklists for post award audit of goods, works and consultancy contracts are attached which are to be used for the assignment. NACO will provide the procurement manual for NACP-III, NGO/CBO guidelines as well as the agreed procurement arrangements for the project.
- This procurement audit will include the following aspects and related documentation:
 - (a) invitations of bids, advertising procedures and bidding period;
 - (b) Bidding documents and addenda;
 - (c) Sale of bidding documents, pre-bid meeting;
 - (d) Receipt and opening of bids;
 - (e) Bid evaluation and recommendations for award of the contract;
 - (f) Conclusion of contract;
 - (g) Time taken for processing of the various procurement actions; and
 - (h) Material modifications to the contract during execution and the increase in the value of the contract
 - (i) Commitments to contractors/consultants are made after applicable procurement procedures are being followed
 - (j) Release of payment (late payment and/or non payments)
 - (k) Comparability of the prices of similar assets
 - (l) Verification of the assets

- Asset Verification will include verifying [i] that the asset is properly accounted for in the asset accounting records [e.g., asset register], [ii] the physical existence of the purchased asset at an appropriate location, [iii] prima facie the asset is of acceptable quality, and [iv] that the asset is being used for the intended purpose. For medicines and pharmaceutical supplies, the additional factors to be looked into in case of medicines and pharmaceuticals are physical condition/packing, availability of quality certification, checking for expired stocks etc.
- In addition, based on audit of a suitable sample, the auditor will also verify whether the government procedure as applicable for operating expenditure are being followed.
- MoHFW will issue introductory letters to the states informing them about the assignment and requesting states to provide necessary information to the consultants for undertaking the assignment.

4. Consultancy Period

The assignment has to be completed within 60 days from the signing of the contract.

5. Outputs that will be required of the Consultants

The consultant shall submit 5 copies of the state-wise reports detailing their findings and attach the filled-up checklists with these reports. The specific issues that should also be listed in the report are:

- a) Sampling methodology used including the number of contracts issued (implementing agency and procurement procedure-wise) during the audit period and the number audited (implementing agency and procurement procedure-wise)
- b) List of contracts audited (detailing contract title, date of issue, value and whether goods/works/services)
- c) Comments on other qualitative aspects
- d) Major findings and recommended actions for the implementing agencies audited and for NACO

6. Audit Procedure to Monitor Consultants' Work

Consultants will report to Mr./Ms..... in NACO.

Annexure 1. Profile of Procurement Items Audited
(indicative format only)

	<i>ICB</i>	<i>NCB</i>	<i>Shopping</i>	<i>DC/FA</i>	<i>Total</i>
Works					
Goods					
Services					
Total					

<i>Category</i>	<i>No. of Procurements Audited</i>				
	<i>ICB</i>	<i>NCB</i>	<i>Shopping</i>	<i>DC/FA</i>	<i>Total</i>
Works					
Goods					
Services					
Total					

<i>Category</i>	<i>No. of Physical Inspections</i>				
	<i>ICB</i>	<i>NCB</i>	<i>Shopping</i>	<i>DC/FA</i>	<i>Total</i>
Works					
Goods					
Services					
Total					

Consultants Services

<i>Category</i>	<i>No. of procurements in audit period-- Audit period is (mm/dd/yyyy) to(mm/dd/yyyy)</i>

	<i>QCBS/QBS</i>	<i>CQS</i>	<i>FBS</i>	<i>SSS</i>	<i>Total</i>
Firms					
Individual					
Total					

<i>Category</i>	<i>No. of Procurements Audited</i>				
	<i>QCBS/QBS</i>	<i>CQS</i>	<i>FBS</i>	<i>SSS</i>	<i>Total</i>
Firms					
Individual					
Total					

<i>Category</i>	<i>No. of Physical Inspections(applicable if the consultant is still in place)</i>				
	<i>QCBS/QBS</i>	<i>CQS</i>	<i>FBS</i>	<i>SSS</i>	<i>Total</i>
Consulting firms					
Individual consultants					
Total					

Annexure 2. Post Audit Checklist for Goods/Works (ICB/NCB)
(indicative format only)

Date of Audit:	Name of Auditor:
Contract No. and Date:	Contract Amount:
Contractor's Name and Address:	

PROCUREMENT METHOD: ICB NCB Others, Specify: _____

CATEGORY: Goods Works

<i>Aspects</i>	<i>Comments and Findings</i>
Procurement Documentation (Filing)	
Advertising	
Pre/post qualification	
Time allowed for submission of bids.	
Bid opening & minutes of bid opening	
Bid security records	
B. E. Report, verify existence of bids- Names of bidders.	
Contract document	
Reference to Bank and "no objection," if any (not required under Agreement)	
Advance payment guarantee details and records	
Per. security details and records	
Protests & other matters	
Contractual completion date	
Actual completion date	
Bill of lading, if any	
Delivery receipt or like instrument.	
Liquidated damages, details and enforcement for delays.	
Timeliness of payments	
Other matters	
Compliance with agreed provisions- Yes or No (Explain)	

Specific Observations on:

- Procedure
- Technical specifications
- Missing Information
- Pre-bid Conference
- Questions/Complaints
- Delays
- Participation
- Bid Evaluation
- Asset Verification (separate format attached)
- Where carried out
- Remarks
- Conclusion

Note: Fill the checklist separately for each of the Contracts audited.

Annexure 3. Checklist for Audit of Consultancy Contracts *(indicative format only)*

Date of Audit:	Name of Auditor:
Contract No and Date:	Contract Amount:
Contractor's Name and Address:	

PROCUREMENT METHOD: QCBS / QBS/ Fixed Budget/ Single Source/ CQ/ Least Cost /Others,
Specify: _____

CATEGORY: Firm / Individual

<i>Aspects</i>	<i>Comments and Findings</i>
Procurement documentation (Filing)	
Advertising	
Request for proposal	
Shortlist verify number, names etc	
Time allowed for submission of proposals	
Evaluation criteria	
Technical evaluation	
Evaluation report, and comments, if any (Verify existence of proposals)	
Financial bid opening	
Combined quality and cost evaluation	
Signed contract document	
Advance payment guarantee etc	
Protests & other matters	
Contractual completion date	
Actual completion date	
Outputs/Reports	
Timeliness of payments	
Other matters	
Compliance with agreed provisions- Yes or No (explain)	

Specific Observations on:

- Procedure
- TOR
- Missing Information
- Pre-bid Conference
- Questions/Complaints
- Delays
- Participation
- Bid Evaluation
- Where carried out
- Remarks
- Conclusion

Note: Fill the checklist separately for each of the Contracts audited.

Annexure 4. Checklist for Audit of Shopping Contracts

(indicative format only)

Date of Audit	
Implementing Agency	
Description of Items procured	
Quantity	
Procurement Procedure used	
Briefly describe the Procedure adopted for inviting the bids	
Dates of invitation of bids/tenders/quotes	
Dates of receipt of bids/tenders/quotes	
Justification in case only one bid was invited (single sourcing/direct contracting)	

Details of bids/tenders/quotes Invited and Received			
Bids invited from (name of bidder)	Address	Bid submitted or Not	Quotes/Bid Price in increasing order

Whether the rates were negotiated	
Whether any price preference was given to any bidder	
Contract Awarded to (alongwith reasons for ignoring lower offers, if any): <ul style="list-style-type: none"> • Name of the Supplier: • Quantity • Contract/PO Value • Contract/PO Date 	
Items received on	
Payment released on	
Items inspected (reason if not available)	
Compliance of the agreed procurement procedure (if no, give reasons)	
Remarks	

Note:

- Fill the checklist separately for each of the Contracts audited.

Annexure 5. Checklist for Physical Inspection *(indicative format only)*

Procurement item no.	
Implementing Agency	
Date of visit	
Date of contract	
Contracted completion date (original)	
Actual completion date	
Contract value	
Final contract value	
Supplier/Contractor	
Arrival date at port	
Arrival date at project site/warehouse	
Scope of work	
Materials (supply and quality)	
Workmanship quality	
Construction supervision	
Time overruns	
Cost overruns	
Deficiencies/defects observed	
Timeliness of payments to contractor	
Comments and recommendations	
Special comments on Drugs/ Pharmaceuticals supplies (packaging/physical conditions, availability of quality certification, expiry dates etc)	

Annexure 6. Qualitative Assessment Checklist *(indicative format only)*

Date of Audit	
Implementing Agency	
Whether the procuring entities were aware of NACP-III procurement guidelines	
Whether dedicated procurement staff were in place? If no, who handles the procurement?	
Whether the staff handling the procurement had exposure or training related to the procurement?	
Feedback from procurement staff and other officials met on how to reduce delays and improve the process	
Whether the procurement related documents were available systematically?	
Whether the procurement were directly handled by the state societies or they had used any procurement support agency in the process? If yes, provide details	
Whether any of the contracts audited included procurement of drugs and medical supplies? If yes, provide details	
Whether the government procedure as applicable for the operating expenditure are being followed? If no, provide details	

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street, N.W.
Washington, D.C., 20433
U.S.A.(202)-477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS**DRAFT****Date of Financing Agreement**

Mr. Shankar Banerjee
 Controller of Aid Accounts and Audit
 Department of Economic Affairs
 Ministry of Finance
 5th Floor, 'B' Wing
 Janpath Bhawan, Janpath
 New Delhi, India 110 001

Dear Mr. Banerjee:

Re: IDA Financing _____ (Third National HIV/AIDS Control Project)

Additional Instructions: Disbursement

I refer to the Financing Agreement between India (the "Recipient") and the International Development Association (the "Association") for the above-referenced Project, dated _____. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of Financing _____ - IN ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:

- Advance
- Reimbursement

(ii) Disbursement Deadline Date (subsection 3.6). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Conditions in Section IV.B of Schedule 2 to the Financing Agreement.

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
P.O. Box 416
New Delhi 110 001, India
Attention: Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal together with supporting documents to the address indicated below:

The World Bank
No. 11, Taramani Main Road
Taramani, Chennai – 600 113
India
Attention: Loan Department

(iii) Minimum Value of Applications (subsection 3.4). The Minimum Value of Applications for reimbursement is US\$5,000,000.

(iv) Advance (sections 5 and 6)

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** U.S. Dollars.
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Reserve Bank of India, Mumbai, India.
- **Ceiling (subsection 6.1):** Advance of US\$35,000,000 will be deposited at effectiveness of the IDA Financing.

III. Reporting on Use of Financing Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each Application for Withdrawal as set out below:

- **For reporting eligible expenditures paid from the Designated Account:**
 - Interim Financial Report in the form attached (Attachment 3).
 - List of payments against contracts that are subject to the Association's prior review, in the form attached (Attachment 4).

- ***For requests for reimbursement:***
 - Interim Financial Report in the form attached (Attachment 3).
 - List of payments against contracts that are subject to the Association's prior review, in the form attached (Attachment 4).

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): annual basis.

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <http://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the Association recommends that you register as a user of the Client Connection website (<https://clientconnection.worldbank.org>). From this website, you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Association by email at clientconnection@worldbank.org.

If you have any queries in relation to the above, please contact Ms. Thao L. Nguyen, Senior Finance Officer at thnguyen@worldbank.org or another member of the Loan Department team in Chennai at loag2chennai@worldbank.org using the above reference.

Yours sincerely,

Name
Country Director
South Asia Region

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Form for Authorized Signatures
3. Form of Interim Financial Report
4. Form of Payments Against Contracts Subject to the Association's Prior Review

Cc with copies: PIU (to be confirmed at Negotiations)
India
Fax no.
Email:

Financial Management Reporting Formats

NACP-III Financial Reporting Format (NACO & SACS)		FMR-I				Remarks, if any
S.No	Activities	Budget (FY)	Funds Release	Actual Expenditure	Variance	
		Budget Estimates	Revised Budget	by GOI	(a) or (b) - (c)	
		(a)	(b)	(c)	(d)	(e)
B1	Activities at NACO - Eligible for funding by Pooling Partners					
a)	Expenditures on Pharmaceuticals & Medical Supplies under Components I and II Procurement using International Competitive Bidding (ICB) Procurement from UN Agencies Procurement using other methods like NCB, Shopping, Direct Contracting etc.					
b)	Expenditure on Procurement of Condoms					
c)	Expenditure on Other Goods, Works, Services, NGOs, Training & Operating Costs: - Communication, Advocacy & Social Mobilization (IEC/BCC) Procurement Non-Procurement Operating Costs - Managing Program Implementation & Contracts Procurement Non-Procurement Operating Costs - Monitoring & Evaluation and Research Procurement Non-Procurement Operating Costs					
d)	Consultants Fee paid to Qualified Proc. Agent					
	Total (B1)					

B2	Funds for Activities implemented at the State Level								
	Pooled Funding								
a)	- Funds Transferred to SACS for approved State AWP & Expenditure incurred on:								
	- drugs, pharmaceuticals & medical supplies by SACS								
	- other goods works, NGO/CBO (including expenditure by								
b)	NGO/CBO on pharmaceuticals) & other services and operating costs								
	Total (B2)								
	Total (B1 + B2)								

Summary for disbursement Purposes

Category I (B1 (a) + B2 (a))

Category II: (B1 (c) + B2 (b))

Category III: B1 (d)

Notes

Expenditure under B2 (Fund transfer to States) to agree with total expenditure as per FMR -II (total of column c/f)
 Expenditure under central level activity to be based on expenditure reports from the Crown Agents/ EPW/ International Procurement Agent as applicable

NACP-III

Financial Monitoring Report (States)
Gross expenditure Report against Annual Work Plans

S.No	States	Approved AWP	Opening Funds Position (Cash/Bank & advances)	Funds Released during the year	Actual Expenditure		Closing Funds Position (Cash/Bank & Advances)	Variance	Remarks any
					April to Sept	October to March			
		(a)	(b)	(c)	(d)	(e)	(g)	(h) = (a) - (f)	
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
Total									

* Required only with the FMR for year ending March 31 each year

NACP-III
Financial Monitoring Report (States)
Component & Activity Wise Expenditure report

FMR - III

S. No	Activities funded by Pooling Partners	Rs lacs	
		AWP/Budget	Consolidated * Actual
A	Expenditures on Pharmaceuticals & Medical Supplies under components 1 & 2 by the SACS		
B	Expenditure on Other Goods, Works, Services, NGOs, Training & Operating Costs by SACS		
	<u>Component 1: Prevention</u>		
	TI amongst High Risk Groups		
	Other Interventions		
	Package of Services		
	Bood safety		
	Communication, Advocacy & Social Mobilization		
	Condom Promotion		
	Sub Total of Component 1		
	<u>Component II: Care Support & Treatment</u>		
	ART		
	Paediatric ART		
	Centre of Excellence		
	Care & Support		
	Sub Total of Component 2		
	<u>Component III: Capacity Building</u>		
	Establishment Support & Capacity Strengthening Training		
	Mainstreaming & Private Sector Partnership		
	Managing Program Implementation & Contracts		
	Sub Total for Component III		

<u>Component IV: Strategic Information Management</u>	
Monitoring & Evaluation Surveillance & Research Research	
Sub Total for Component IV	
TOTAL	

* to be supported by Statewise breakup of budget verses actuals

S.No	Activities funded by Pooling Partners - Natural heads	Consolidated *	
		AWP/Budget	Actual
A	Expenditures on Pharmaceuticals & Medical Supplies under all components by the SACS Blood bank Equipments HIV Kits Blood Lab. Supplies STI Medicine OI Medicine		
B	Expenditure on Other Goods, Works, Services, NGOs, Training & Operating Costs by SACS Civil Works Other Lab. Supplies Furniture & Supplies Other Equipmment Vehicles Training Workshop & Fellowships Mass Media / IEC Large NGOs Consultant & Professional Services M& E System Operation Research Targeted Services & Interventions by NGO/CBO (incl. Pharmaceuticals) Salary of Staff Operation Expenses Equipment Maintenance Building Maintenance Vehicle Maintenance		
C	Expenditure on drugs & Pharmaceuticals by NGOs		
	TOTAL		

* to be supported by a breakup by States

NACP-III
Financial Monitoring Report
Expenditure on Prior Review Contracts (NACO)

S.No	WBR # (for prior review contracts)	Contractor	Contract value	Payment details	
				Date of Payment	During the period Cummulativ

SACS

Expenditure in SACS on contracts above USD 50,000 (contracts other than NGO) and USD 75,000 (NGO/CBO contracts)

S.No	Contract No.	Supplier/ NGO/CBO	Contract value	Payment details	
				Date of Payment	During the period Cummulativ

Governance and Accountability Action Plan (GAAP) Dated March 9, 2007

Introduction

NACO, Ministry of Health and Family Welfare (MOHFW), is fully committed for improving the 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 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) have been 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 address critical operational concerns related 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
Improving quality assurance mechanism	<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>	NACO, MOHFW (to coordinate for SIS and act as nodal point)
Increasing competition and mitigating collusion	<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 manufactures.</p> <p>Including a qualification requirement of a minimum share of at least 20% revenue to be derived from non-Bank financed</p>	<p>Agreed, to begin from April 1, 2007. Based on toolkit developed by the Bank, the first round of market survey of pharmaceuticals and drugs has been completed.</p> <p>Agreed, to begin from April 1, 2007</p>	NACO & MOHFW (to coordinate for SIS and act as nodal point)

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
	<p>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 a 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.</p> <p>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 co-ordinate 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>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>NACO & MOHFW (to co-ordinate for SIS and act as nodal point).</p>

Issue	Agreed actions	Implementation Status	Person/agency responsible for implementation
	<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 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>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</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>and sharing the same with the pooling partners to disclose at their preferred websites.</p> <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 Programme 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 co-ordinate 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>			

Administrative Process for Disqualification of Bidders



Suspension/Banning of Business with a Firm

The provision of suspension/banning of the firms who indulge into malpractices such as such as bribery, corruption, fraud, substitution of tenders, interpolation, misrepresentation, evasion or habitual default in payment of any tax levied by law; etc. is mentioned below:-

Two types of actions against such firms are provided-

1. Suspension

Suspension of business may be ordered where, pending full enquiry into the allegations, it is not considered desirable that the business with the firm should be continued.

Grounds for Suspension of Business Dealing with Firms are:-

- (i) The firm is suspected to be of doubtful loyalty to India.
- (ii) If the CBI or any other Investigating Agency recommends such a course in respect of a case under investigation.
- (iii) If Ministry/Department is prima facie of the view that the firm is guilty of an offence involving moral turpitude in relation to business dealing which, if established, would result in business dealings with it being banned.

2. Banning- Banning of business dealings with a firm can also be of two types:-

(i) Banning by one Ministry

An order for banning business dealings with a firm implies that the order would be applied to one Ministry including its attached and subordinate Offices.

(ii) Banning by all Ministries

An order for banning business dealings with a firm implies that all Departments/Ministries/Offices of the Govt. of India are forbidden from dealing with that firm.

Grounds for Banning of Business Dealings with Firms are:-

- (i) If security considerations including question of loyalty to the state so warrant;
- (ii) If the proprietor of the firm, its employee, partner or representative is convicted by a court of law following prosecution by the CBI or under normal

process of law for offences involving moral turpitude in relation to business dealings;

- (iii) If there is strong justification for believing that the proprietor or employee, or representative of the firm has been guilty of malpractices such as bribery, corruption, fraud, substitution of tenders, interpolation, misrepresentation, evasion or habitual default in payment of any tax levied by law; etc.
- (iv) If the firm contumaciously refuses to return Govt. dues without showing adequate cause, and Govt. are satisfied that this is not due to a reasonable dispute which would attract proceedings in arbitration or court of law; and
- (v) If the firm employs a Govt. servant, dismissed/removed on account of corruption, or employs a non-official convicted for an offence involving corruption or abetment of such an offence, in a position where he could corrupt Govt. servants.

Competent Authority for Suspension/Banning :- Govt. of India O.M. No.13/38/65-V, Dated 27.8.82 , Ministry of Supply & Rehabilitation, Department of Supply may be referred in this regard.

Suspension:- An order of suspension on account of loyalty shall be passed by the Department of Supply. However, for other reasons the order of suspension shall be passed by the Ministry/Department concerned.

Banning by One Ministry:-

- (i) An order for banning business dealings in this regard with a particular firm shall be passed by a Ministry/Department concerned.
- (ii) It shall not be circulated to other Ministries/Departments but shall cover all the attached/subordinate offices of the Ministry issuing the order. A copy of the order should, however, be sent to the Department of Supply.

Banning by All Ministries:-

- (i) An order for banning business dealings and the revocation thereof in this regard with a particular firm shall be passed by Department of Supply.
- (ii) Such an order shall be endorsed to and automatically implemented by all Ministries/Departments including their attached and subordinate offices.

However, the said order was issued when DGS&D was the Nodal Agency for procurement on behalf of all the Ministries. We would be seeking a clarification from Department of Supply as to whether the said authority still rests with them or otherwise.

Procedure for Suspension/Banning of Business Dealings With Firms-

- The nominated officer, while conducting the proceedings has to act in a quasi-judicial capacity and to work independently in the non-statutory sphere.
- In connection with the domestic enquiry relating to suspension/banning of business with the firm, it has to be ensured that a reasonable opportunity of showing cause has been given to the parties and there is oral or documentary proof in support of the allegations against the supplier.
- Decision to all matters during the enquiry should be in accordance with the principles of justice, equity and good conscious. No technical rules of evidence, etc. are applicable in domestic enquiry.
- If the CBI has recommended banning/suspension of business, the role of CBI comes to an end with the recommendation and the Department should under take further proceedings through its own officers.
- To initiate the Departmental enquiry a show cause notice accompanied with the office of all the relevant documents on the basis of which action is proposed should be served on the supplier and he may be asked to file a written reply by a certain reasonable date. A copy of all documents should be supplied to the Department of Supply.
- After receipt of the written submissions of the parties, the enquiry officer should fix a date of hearing. After the evidences and hearing the arguments the enquiry stands concluded. The enquiry officer will pass an order thereafter.
- The decision regarding suspension or banning business dealing with the firm, after the issue of show cause notice and consideration of representation if any should be communicated to the firm in a prescribed proforma and no reasons should be given.
- The banning order should specify the specific period (permanent, if required) for which it will be effective and the names of all the partners, Directors, etc. of the firm and its allied concerns.
- No contract of any kind whatsoever shall be placed with a banned firm including its allied firms. However, contracts concluded before issue of the banning order shall not be affected by the banning order.
- Particular care should be taken to see that the same firm does not appear under a different name to transact business with Govt.

Confidential

No.13/38/65-V
Government of India
Ministry of Supply & Rehabilitation
Department of Supply
(Poorti Vibhag)

Nirman Bhavan, New Delhi-11
Dated the 4th March, 1982

Office Memorandum

A reference is invited to this Department's Office Memorandum No.13/38/65-V dt. 27.8.81 appointing the Chief Vigilance Officer in the Deptt. of Supply to initiate and conduct proceedings for banning/suspending business dealings of the Govt. with the firms in the non-statutory sphere. Similarly DDG incharge of Registration has been nominated to initiate and conduct proceedings for removing the names of the firms from the list of approved suppliers.

2. In accordance with these instructions, the nominated officer while conducting the proceedings has to act in a quasi-judicial capacity and to work independently.

3. The following points need to be kept in view in connection with the domestic inquiry relating to banning of business with or removing the name of a supplier from the list of approved suppliers:-

(a) It has to be ensured that a reasonable opportunity of showing cause has been afforded to the parties and there is oral or documentary proof in support of the allegations against the supplier before banning of business with him or removal of his name from the list of approved suppliers if ordered.

(b) In case the CBI have recommended the banning of business with a supplier or removal of his name from the list of approved suppliers, the role of the CBI comes to an end with the recommendation and the Department should undertake further proceedings through its own officers.



(c) To initiate the departmental inquiry, a show cause notice accompanied with the copies of all the relevant documents on the basis of which action is proposed should be served on the supplier and he may be asked to file a written reply by a certain date (which should be a reasonable period depending upon the circumstances of each case). A copy of the reply alongwith the copy of the documents which the supplier may have furnished should be supplied to the Department for their reply, if any.

(d) After the written submissions of the parties have been received, the inquiry officer should fix a date for hearing. In case either of the parties wants to adduce oral evidence and the inquiry officer considers that the request is not frivolous or vexatious, he may permit the producing of the oral evidence with opportunity to the other party for producing evidence in rebuttal. After the oral evidence has been closed, the inquiry officer should hear arguments and thereafter the inquiry stands concluded. He is then left to pass an order.

(e) If during the course of an inquiry the supplier likes to be represented or assisted by a lawyer, the request should not normally be refused. The Deptt. also may be afforded similar facility if such a request is made by them.

(f) Since it is not possible to issue instructions with respect to each and every situation that might arise during the course of any inquiry, it needs to be borne in mind that decision relating to all matters during the inquiry should be in accordance with the principles of justice, equity and good-conscience. No technical rules of evidence etc. are applicable in domestic inquiries.

Sd/- (R. Srivastava)
Director (Vigilance)

1. DGS&D (Shri Kaushal Kumar), New Delhi
2. All Chief Vigilance Officers in the Ministries/ Departments of the Government of India (by name).

**Memorandum Of Understanding
with DFID and GOI**

Memorandum of Understanding
among
THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT OF THE UNITED KINGDOM
(DFID)
and
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)
with
THE GOVERNMENT OF INDIA (GOI)
for
Third National HIV/AIDS Control Project
Dated 2007

This Memorandum of Understanding is among

The Department for International Development of the United Kingdom (DFID), and

The International Development Association (IDA),

Collectively referred to as "Pooling Partners", and

The Government of India (GOI).

Recitals

Whereas:

1. The Government of India (GOI) is deeply committed to the goal of halting and reversing the human immuno-deficiency virus (HIV) and the acquired immuno-deficiency syndrome (AIDS) epidemic and, in furtherance of the said objective, the National AIDS Control Organization (NACO) within GOI's Ministry of Health and Family Welfare (MOHFW) has developed the third phase (2007 to 2012) of its National AIDS Control Programme (NACP-III Program). The objectives of the NACP-III Program, viz. (i) prevention of new HIV/AIDS infections in high risk groups and general population; and (ii) increasing the proportion of people living with HIV/AIDS who receive care, support and treatment; are in line with India's National Rural Health Mission (NRHM), the Millennium Development Goals (MDGs) its 10th Five Year Plan (2002-2007) and successive 11th Five Year Plan.

2. To provide a comprehensive budgetary framework for achieving these goals, GOI has projected resources for the NACP III Program in the order of Rs 11,585 crores for the five year period 2007-08 to 2011-12, as described in the National AIDS Control Programme Phase III (2007-2012) Strategy and Implementation Plan dated November 30, 2006 (Program Implementation Plan or PIP). The NACP III Program is broadly categorized into four parts: Part A through D. See Attachment 1. Part A is expected to be of the order of Rs. 8193 crores,

Part B of the order of Rs.2055 crores, Part C of the order of Rs. 958 crores and Part D of the order of Rs. 379 crores over the five year period of GOI's Fiscal Years (Fiscal year or FY) 2007-08 to 2011-12. The Third National HIV/AIDS Control Project (the NACP-III Project or the Project) as described in Schedule I to the financing agreement between IDA and the GOI will support the NACP-III Program with the purpose of achieving the two objectives set forth in paragraph 1 above.

3. The GOI has requested the Pooling Partners to support the NACP III Program under a programmatic approach, and the Pooling Partners will finance activities as set forth in their respective financing agreement with the GOI. The Pooling Partners will finance a percentage of the actual and reported eligible expenditures [Eligible Expenditures] incurred under the NACP III Program as indicated in Annex 2 or any other percentage that the Pooling Partners may agree from time to time in consultation with GOI, all in accordance with their respective financing agreement with GOI.

4. Broadly, Eligible Expenditures for pooled funds are those expenditures for activities under the NACP III Program covered by the budget of the Ministry of Health and Family Welfare (MOHFW), net of expenditures on condoms, expenditures financed by the GOI under its other health sector programs and expenditures financed by other non-pooling Development Partners (DPs), incurred during FYs 2007-08 to 2011-2012 (both inclusive).

5. a) The Pooling Partners also confirm their support for GOI's NACP III Program and are willing to harmonize procedures to the extent possible, and strengthen the efficiency and effectiveness of service delivery. In this respect, the Pooling Partners confirm their wish to work as far as possible with GOI procedures and to support GOI initiatives for further improvement.

b) The Pooling Partners' support will be within the framework of the NACP III Program detailed in Program Implementation Plan, which describes the strategy and implementation arrangements for achieving the NACP III Program objectives as articulated in the PIP, and which includes the Governance and Accountability Action Plan (GAAP) for ensuring, *inter-alia*, competition, transparency, economy and efficiency in procurement. In this respect, each Pooling Partner has concluded bilateral financing arrangements with GOI.

6. a) Accordingly, the Pooling Partners have decided to accept financial management procedures as described in the Financial Management Manual dated February 15, 2007 and the NGO/CBO Guidelines dated March 1, 2007 of NACO.

b) With regard to procurement under the NACP-III Project, the GOI will follow the procedures set forth in the World Bank's Procurement and Consultant Guidelines dated May 2004 and the Procurement Manual for the NACP-III Project dated March 1, 2007 as provided in the financial agreement between the GOI and the Association.

The Pooling Partners have reached the following understandings:

Financial Contribution

7. The Pooling Partners will adopt a programmatic approach, whereby external and GOI funds are pooled to support the NACP-III Program. As regards financial flows, the Pooling Partners are committed to the principle that resources will be channeled through GOI systems to ensure greater levels of harmonization in line with GOI procedures and requirements.

8. The Pooling Partners have decided to finance a percentage of the Eligible Expenditures referred to in paragraph 4 above and 9 below, up to the limit of the overall envelopes offered by each Pooling Partner under their bilateral funding arrangements with GOI. See Attachment 2 for

the expected level of Eligible Expenditures and the financing shares of the Pooling Partners. Reimbursement of this percentage amount will be shared between the Pooling Partners according to the percentages by and between the Pooling Partners as specified in Attachment 2 attached hereto. In any fiscal year, should actual Eligible Expenditures fall below the estimated anticipated level(s), the Pooling Partners together will nonetheless finance a percentage according to their respective share of actual Eligible Expenditure as indicated in Attachment 2.

9. On an annual basis, the Pooling Partners may need to adjust (increase/decrease) their percentage share of total Pooling Partners' contributions to the NACP-III Program, to take account of increased levels of Eligible Expenditures, variations in funding availability on an annual basis (in the case of DFID) and exchange rate fluctuations. In the event of any exigency compelling any Pooling Partner to reduce its above-mentioned percentage in a particular year, while maintaining its overall commitment to the NACP-III Program as reflected in its respective financing agreement, the decision to do so will be taken in consultation with the other Pooling Partner and GOI. The other Pooling Partner would make their best effort, in consultation with the exigent Pooling Partner and GOI, to meet the shortfall in that year subject to their overall commitments for the NACP-III Program. A decision regarding changes in the total disbursement percentage share by the Pooling Partners and/or by any of Pooling Partner for situations enumerated above should be taken through consultation with the GOI and the Pooling Partners as early as possible in order to ensure timely disbursements.

10. The financial contributions, including any advance and retroactive financing by the Pooling Partners, is set forth in the bilateral arrangements concluded between GOI, IDA and DFID. The levels of Eligible Expenditures anticipated are as follows: FY2007-08 – Rs. 460

Crores; FY2008-09 – Rs.581 Crores; FY2009-10 – Rs.747 Crores, FY2010-11 – Rs. 924 Crores, and FY2011-12 – Rs. 1375 Crores. The DFID and IDA financing would be in respect of GOI expenditures in FYs (2007-08 to 2011-2012) See Attachment 2.

11. In the event of overall shortfall in external support to the NACP-III Program, subject to the respective bilateral arrangements, the Pooling Partners and the GOI recognize that the development objectives of the Program and the Project may not be fully realized.

12. To facilitate timely disbursement, GOI will give the earliest indication of the total annual estimated Eligible Expenditures via Interim Un-audited Financial Reports [IFRs] to the Pooling Partners. The Pooling Partners would promptly examine the IFRs and seek, in consultation with each other, any clarification from GOI necessary to accept the IFRs. Following such consultation, the Pooling Partners would respond at the earliest as to how much each Pooling Partner will fund. Thereafter, the disbursement claim by GOI on the basis of the documentation described in paragraph 13 below would be filed separately with each Pooling Partner, and it will be the endeavor of the Pooling Partners to disburse their share of the funds in their respective currencies to the separate accounts maintained by GOI in a timely manner and in accordance with their respective arrangements.

13. GOI would provide six-monthly IFRs to the Pooling Partners by May and November of each Fiscal Year. The contents of the IFR have been decided separately with GOI. The disbursement by the Pooling Partners would be based on the May IFR covering expenditure in the preceding Fiscal Year (April to March). A Consolidated Report on Audits of the expenditure for each Fiscal Year (April to March) would be provided by GOI latest by September in the succeeding Fiscal Year. Any adjustment resulting out of a difference between the May IFR and

the audited reports (including the Consolidated Report on Audits) for that year will be made at the next annual disbursement. Any claim arising due to recertification of an earlier audit disallowance would be taken along with next annual disbursement.

Financial Management and Procurement

14. (a) The implementation of the NACP-III Program will be as per the financial management procedures set forth in the NACP-III Project's Financial Management Manual and NGO/CBO Guidelines referred to in paragraph 6(a) above. GOI would inform the Pooling Partners of any amendment in the Manual or Guidelines necessitated for improving the implementation of the Program. Pooling Partners may take up the matter, under their respective arrangements, with GOI if they feel that such changes may have any adverse impact on the Project and the financial implications thereof.

(b) The implementation of procurement under the NACP-III Program will be in accordance with procedures set forth in the respective financing agreement of each Pooling Partner with the GOI.

15. The Pooling Partners retain the right to carry out post-review of contracts in accordance with the provisions within each pooling partners financing agreement with GOI. The Pooling Partners will consult with each other before carrying out such post reviews and will take all reasonable measures necessary to avoid duplication. A Pooling Partner will provide the other Pooling Partner and GOI with the results of any such reviews conducted by such Pooling Partner. Similarly, the intention to perform and the outcomes of post-review undertaken will be communicated to other Pooling Partner.

Joint Review(s)

16. Together, the GOI and the Pooling Partners wish to carry out a robust supervision of the NACP-III Program, which includes the following distinct components:

1. Establishment of a Steering Committee for Donor Coordination
2. Quarterly Program Reviews
3. Joint Review Missions (JRMs);
4. Mid-term Review;
5. Procurement Reviews; and
6. Six monthly Review of the GAAP.

All such supervision will be coordinated and led by GOI, and some elements will include the participation of other development partners that are non-pooling and also supporting the NACP-III Program. Participation in the reviews 2, 3, and 4 above will have participants from the MOHFW, UN Agencies, United States Agencies for International Development, Global Fund for AIDS, Tuberculosis and Malaria and the Pooling Partners.

(a) Steering Committee for Donor Coordination: The MOHFW will establish a Steering Committee for Donor Coordination to provide in time program support and to resolve implementation bottlenecks. The implementation of the NACP-III Program will be periodically reviewed with the Steering Committee for Donor Coordination.

(b) Quarterly Program Reviews: The GOI will undertake quarterly reviews of NACP-III Program implementation at the state level and the national level in accordance with the “dashboards” established for such purpose and reflected in the PIP. The objective will be to identify implementation bottlenecks, and assist states to resolve them.

(c) Joint Review Missions (JRMs) and Visits to States: The GOI and the Pooling Partners will form Joint Review Teams and visit states and districts every six months to

undertake comprehensive review of the NACP-III Program implementation, identify bottlenecks and to resolve them expeditiously. The mission composition would be determined according to the thrust of that mission as well as the Program needs at that point of time. Each mission would support the GOI and Project States in assessing the progress made against agreed benchmarks. Through the joint review mechanism, the GOI and the Pooling Partners will, on a semi-annual basis, assess the state's performance against agreed benchmarks. To facilitate this process, the MOHFW will share a six monthly progress report with the mission members prior to the JRM. These benchmarks would reflect program management, including financial and procurement, and NACP-III service delivery improvements. This assessment would be done by a group comprising the MOHFW, State department of health and family welfare, Pooling Partners, and individual external experts.

(d) Mid-term Review: The GOI and the Pooling Partners will undertake a mid-course review involving joint teams of GOI, Development Partners [Pooling and non-pooling], and external experts visiting states and districts to undertake comprehensive review of the Program implementation, identify bottlenecks and resolve them expeditiously through mid-course corrections. The JRM of November 2009 shall constitute the Mid-term review.

(f) Procurement reviews: In addition to the procurement reviews and audits in accordance with the provisions of the respective financing agreement of each Pooling Partner with the GOI, the GOI and the Pooling Partners understand that special procurement reviews may be commissioned based on needs.

(g) Reviews of the GAAP: The GOI and the Pooling Partners will undertake six monthly reviews of the GAAP (as updated from time to time in accordance with the provisions of the financing agreement between the IDA and the GOI) coinciding with the six-monthly JRMs.

17. The Pooling Partners will co-operate fully with each other on all matters relating to the execution of the Program and on other matters of common interest to them. In particular, the Pooling Partners will send to each other for information copies of letters or notices to GOI which in their judgment are of common concern to the Pooling Partners.

18. The Pooling Partners will ensure that all relevant information is shared among themselves in a timely manner. The Pooling Partners will ensure that they interact with the GOI as a coherent group and through a single agreed mode of communication. Such consultative arrangements will ensure that no duplication takes place in the efforts of different Pooling Partners.

19. In order to facilitate effective communication between the Pooling Partners on the one hand and with GOI on the other, one Pooling Partner will take on a nodal role for all communication relating to activities supported by the pool, with GOI except as required for the effective execution of the respective bilateral agreements. This nodal role will be determined by mutual agreement between the Pooling Partners and may be rotated on an annual basis with appropriate notice to GOI. The nodal Pooling Partner will, *inter-alia*, act as the conduit for information to and from GOI, ensure dissemination of information between Pooling Partners.

Disputes

20. Any dispute or controversy that arises in relation to the Program should be settled by means of dialogue and consultation between the Pooling Partners and GOI. Unilateral actions by any of the Partners should be avoided. In this regard, the GOI's NACP-III framework, the NACP-III Manual for Financial Management and Procurement, and the respective financing agreements will form the basis for interpretation of any issues. Each Pooling Partner will promptly seek the views of the GOI and the other Pooling Partner were it to propose to suspend or terminate, in whole or in part, payments for financing the NACP-III Program.

21. Notwithstanding the provisions within this Memorandum of Understanding, nothing contained within it will have the effect of modifying, abrogating or waiving provisions contained within the separate bilateral arrangements entered into between each Pooling Partner and the GOI. If any provision of the respective financing agreement between each Pooling Partner and GoI is inconsistent with the provisions of this Memorandum of Understanding, the provision of the respective financing agreement shall govern.

22. The procedures outlined in this Memorandum, including those for procurement, financial management and the sharing of information, may, as necessary, be subject to periodic review by the Pooling Partners and GOI.

Additional Pooling Partners

23. Any public institution or multilateral/bilateral entity not currently a partner to this Memorandum of Understanding may, by acceptance of the Pooling Partners and GOI, become an additional Pooling Partner under this Memorandum of Understanding. Should an additional Pooling Partner join, the aggregate level of eligible expenditure and the relative share of GOI and the Pooling Partners will be modified to reflect the quantum of financing and representation in JRMs by the new pooling partner.

Duration of MOU

24. This MOU shall come into effect upon authorized signature by the Pooling Partners and the GOI, and shall remain in effect for each Pooling Partner until the end of its financing pursuant to its respective financing agreement.

Communication

25. Except as otherwise provided in this Memorandum of Understanding, all written communications required or permitted by this memorandum will be directed to the following addresses:

For Department For International Development of the United Kingdom:

Department For International Development
of the United Kingdom
B 28 Tara Crescent
Qutab Institutional Area, New Delhi 110016
Facsimile: +91 (011) 26529296 Tel: +91 (011) 26529123

For International Development Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.
Facsimile: (202) 477-6391

For Government of India:

Ministry of Finance
New Delhi, 110001.

Signed by the Pooling Partners authorized representatives .

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT
OF THE UNITED KINGDOM (DFID)

By

Susanna Moorehead

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

GOVERNMENT OF INDIA

By

Authorized Representative

Breakup of the Program Cost by Components

Objective 1: Prevention	Rs Crores
Targeted Interventions among HRGs (FSW, MSM and IDU)	2,408
Other interventions (Truckers, Prison, Migrants etc.)	139
Package of Services	1,466
Blood Safety (including mobile blood banks)	1,005
Communication, Advocacy and Social Mobilisation	1,071
Condom Promotion	2,105
Sub-total	8,193
Objective 2: Care, support and treatment	
ART	1,404
Paediatric ART	117
Centre of Excellence	16
Care and support (New Life Centres and Impact Mitigation)	519
Sub-total	2,055
Objective 3: Capacity Building	
Establishment Support and Capacity strengthening	291
Training	232
Mainstreaming/Private Sector Partnerships	132
Managing Program Implementation & Contracts	303
Sub-total	958
Objective 4: Strategic Information Management	
Strategic Information Management	205
Surveillance	84
Research	89
Sub-total	379
Total (All Components)	11,585
In USD million	2,574

Indicative Financing Levels of GOI, and Pooling Partners

(From 2008 to 2012)

Financial Year ending 31 March						Rs Crores
	2008	2009	2010	2011	2012	Total
Projected Eligible expenditure (Rs. Crore)	460	581	747	924	1375	4087 **
IDA Share	48%	48%	48%	48%	48%	
DFID Share *	34%	34%	34%	34%	34%	
GOI Share	18%	18%	18%	18%	18%	

Contribution to the Pool:

IDA USD 250 million

DFID GBP 95 million

GOI USD 93 million

Notes:

* DFID has a floor and a cap of GBP 15 million and 22 million respectively for each financial year. Should DFID share of eligible expenditure be below the floor or above the cap, IDA will attempt to adjust its share (subject to credit availability) to ensure that the development partners share does not fall below the agreed contribution to the pool.

** Based on the projected pooled cost of Rs 4087 crores (USD 908 million) and the current approvals provided by the GOI, there is a projected financing gap of Rs 1736 crores (USD 386 million) in the years 2011 and 2012. Based on the actual performance, NACO may approach various development partners, including IDA for additional financing and/or seek enhanced budgetary allocation from internal resources.

*** In addition to contribution to the pool GOI will also be responsible for procurement & supply for condoms and STD Drugs using domestic funds.