Project Agreement

(Additional Financing for Tamil Nadu Health Systems Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF TAMIL NADU

Dated July 6, 2010
PROJECT AGREEMENT

AGREEMENT dated July 6, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the STATE OF TAMIL NADU (“Tamil Nadu” or “Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between India (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. Tamil Nadu declares its commitment to the objectives of the Project. To this end, Tamil Nadu shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and Tamil Nadu shall otherwise agree, Tamil Nadu shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. Tamil Nadu’s Representative is the Chief Secretary to the Government of Tamil Nadu or such other person or persons as he or she shall designate in writing.

3.02. The Association’s Address is:

   International Development Association
   1818 H Street, N.W.
   Washington, D.C. 20433
   United States of America
Facsimile:
1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

The Chief Secretary to the Government
Government of Tamil Nadu
Tamil Nadu

Facsimile
91-44-25672304

AGREED at Chennai, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Preeti Kudesia
Authorized Representative

STATE OF TAMIL NADU

By /s/ V. K. Subburaj
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Tamil Nadu shall carry out the Project in accordance with the Project Implementation Plan, the Financial Management Manual, the Procurement Plan, the Tribal Development Plan and the EMP, and shall not amend or waive any provision of the Project Implementation Plan, the Financial Management Manual, the Procurement Plan, the Tribal Development Plan and the EMP, except as the Association shall otherwise agree.

2. Tamil Nadu shall continue to maintain, at all times throughout Project implementation, the PMU, the Strategic Management Unit and the Public-Private Partnership Cell; all with staff composition, powers, functions and resources satisfactory to the Association.

3. Tamil Nadu shall take necessary and appropriate actions to ensure that adequate allocations are included in the state budget to implement the Project.

B. Anti-Corruption

Tamil Nadu shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

C. Safeguards

Tamil Nadu shall:

1. carry out the Project in accordance with the EMP and Tribal Development Plan in a manner satisfactory to the Association; and

2. ensure that the environmental and social performance indicators contained in the EMP and Tribal Development Plan are updated and monitored regularly, in agreement with the Association.

D. Cooperation Agreement

1. (a) Without limitation upon the provisions of Section I.A.1 to this Schedule and to facilitate the carrying out of the Project, Tamil Nadu shall, not later than July 31, 2010, enter into an agreement with TNMSC, under terms and conditions
satisfactory to the Association, which shall include, *inter alia*, TNMSC’s obligation to serve as a procurement agent for purposes of the Project (as further elaborated in the Procurement Plan) and to maintain records and accounts adequate to reflect the operations, resources and expenditures related to the procurement process under the Project.

(b) Tamil Nadu shall exercise its rights under the Cooperation Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, Tamil Nadu shall not assign, amend, abrogate, waive or fail to enforce the Cooperation Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Tamil Nadu shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each such Project Report shall cover the period of six (6) months, and shall be furnished by Tamil Nadu to the Association not later than forty-five (45) days after the end of the period covered by such report to the Association.

2. Tamil Nadu shall provide to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request with respect to the report referred to in Section 4.08 of the General Conditions.

3. Tamil Nadu shall prepare and furnish to the Association for their review and approval, by June 30 of each year until completion of the Project, commencing on July 31, 2010, an annual action plan for the Project for the current financial year and proceed thereafter to coordinate the carrying out of the annual action plan taking into account the Association’s comments.

B. Financial Management, Financial Reports and Audits

1. Tamil Nadu shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of Tamil Nadu, including the operations, resources and expenditures related to the Project.

2. Tamil Nadu shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) financial year of
Tamil Nadu. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

3. Tamil Nadu shall prepare and furnish to the Association not later than sixty (60) days after the end of each calendar quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association. Said IUFRs will also serve as a basis for disbursement of the Credit for Eligible Expenditures incurred during said quarter.

Section III. **Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.