Financing Agreement

(Uttarakhand Health Systems Development Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MARCH 23, 2017
FINANCING AGREEMENT

AGREEMENT dated MARCH 23, 2017, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — CREDIT

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount of one hundred million Dollars ($100,000,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Credit Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Interest Charge payable by the Recipient for each Interest Period shall be at a rate equal to the Reference Rate for the Credit Currency plus the Fixed Spread; provided, however, that the Interest Charge payable shall in no event be less than zero percent (%) per annum.

2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Recipient’s State of Uttarakhand in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety days (90) days after the date of this Agreement.

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is any of the following officials, acting severally: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Recipient’s Ministry of Finance.

5.02. The Recipient’s Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
Government of India
North Block
New Delhi 110 001, India
Facsimile:
+91-11-23094075

5.03. 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

AGREED at [New Delhi], India, as of the day and year first above written.

INDIA

By

[Signature]

Authorized Representative

Name: RAJ KUMAR

Title: JOINT SECRETARY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: MISHA ABDUL

Title: ACTING COUNTRY DIRECTOR, INDIA
SCHEDULE 1

Project Description

The objective of the Project is to improve access to quality health services, particularly in the hilly districts of the state, and to expand health financial risk protection for the residents of Uttarakhand.

The Project consists of the following parts:

Part 1: Innovations in Engaging the Private Sector

Provision of support for:

(a) innovations in integrated delivery of healthcare services to improve access to an integrated network of primary care, referral services and emergency care in the state through private sector engagement, including: (i) supporting the development of a conducive institutional environment to support ongoing and new PPPs; (ii) supporting health advice and telemedicine services; and (iii) supporting the development of new PPPs as integrated networks of mobile health vans, outsourced CHCs as well as government-run CHCs, and specialist services and defined clinical and diagnostic services at the district hospitals.

(b) innovations in healthcare financing to expand primary care coverage into Uttarakhand’s health insurance programs, including: (i) designing, implementing and evaluating benefit packages around childhood and adolescent health, as well as case management of NCDs in primary care settings; and (ii) financing the purchase of health care from public as well as private providers.

Part 2: Stewardship and System Improvement

Strengthening the institutional structures for stewardship and service delivery and augmenting the state’s human resource capacity for the effective implementation of the Project and Uttarakhand’s health insurance programs, including: (i) promoting an enabling framework for PPPs; (ii) supporting research and evidence generation; (iii) supporting quality accreditation of public health facilities; and (iv) promoting a multidisciplinary approach that will strengthen the ability of the health system to respond to seasonal and context-specific needs.
SCHEDULE 2
Project Execution

Section I.  Implementation Arrangements

A. Institutional Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the State of Uttarakhand, in accordance with the Recipient’s standard arrangements for development assistance to the States of India.

2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II.  Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient 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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall, or shall cause the State of Uttarakhand to, prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, or shall cause the State of Uttarakhand to, have the Project's Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-Consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-Consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-Consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions agreed to, from time to time, between the Recipient and the Association and referred to in the Procurement Plan; (c) Shopping; (d) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; (g) Procurement from UN agencies; and (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association.
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
**Category** | **Amount of the Credit Allocated (expressed in USD)** | **Percentage of Expenditures to be Financed (inclusive of Taxes)**
--- | --- | ---
(1) Goods, non-consulting services, consultants' services, Training and Incremental Operating Costs for the Project | 74,000,000 | 80%
(2) Medical Insurance Claims and Medical Insurance Premiums | 26,000,000 | 80%
**TOTAL AMOUNT** | **100,000,000** | 80%

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $20,000,000 may be made for payments made prior to this date but on or after February 1, 2016, for Eligible Expenditures.

2. The Closing Date is September 30, 2023.
SCHEDULE 3

Repayment Schedule

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage) *
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>On each January 15 and July 15 Commencing on July 15, 2022 to and including January 15, 2042</td>
<td>2.5%</td>
</tr>
</tbody>
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* The percentages represent the percentage of the principal amount of the Credit to be repaid.
APPENDIX

Section I. Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “CHC” means a Community Health Center, which is a level of healthcare facility higher than a Primary Health Center and lower than a District Hospital.


5. “Credit Currency” means the currency in which the Credit is denominated.

6. “Eligible Insurer” means any entity which is duly authorized to carry out and operate an insurance business in India as per Insurance Act 1938 and IRDA Act 1999 and which has been selected as a provider of insurance cover to Insurance Beneficiaries following the process set forth in the PIP.

7. “ESMP” means the Recipient’s Environment and Social Management Plan, acceptable to the Association, disclosed on September 2, 2014, and set forth as an annex to the PIP, designed to maximize the social and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, and such term includes all schedules and agreements supplemental to the ESMP, including the Tribal Action Plan, any environmental management plans, and/or social management plans prepared pursuant to the ESMP, as such ESMP may be amended from time to time by agreement between the Recipient and the Association.


9. “Fixed Spread” means the Association’s fixed spread for the Credit Currency in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of this Agreement and expressed as a percentage per annum.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
11. "Incremental Operating Costs" means incremental costs incurred by the PIT on account of Project implementation, support and management, including office rent and utilities, office maintenance and repair, vehicle maintenance and repair, communication, salaries of staff deputed full time to the Project and other administrative costs directly associated with, and necessary under, the Project.

12. "Insurance Beneficiaries" means persons enrolled, or otherwise eligible, under a health insurance program funded by the government of the State of Uttarakhand.

13. "Interest Period" means the initial period from and including the date of this Agreement to but excluding the first Payment Date occurring thereafter, and after the initial period, each period from and including a Payment Date to but excluding the next following Payment Date.

14. "LIBOR" means for any Interest Period, the London interbank offered rate for deposits in the relevant Credit Currency for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page as of 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period.

15. "Medical Insurance Premium" means the amount of money paid by UKHFWS to an Eligible Insurer for an insurance cover that provides agreed health services to Insurance Beneficiaries, and which has been submitted by UKHFWS to the Association for reimbursement under Part 1(b)(ii) of the Project and in accordance with the requirements of the PIP.

16. "Medical Insurance Claim" means a claim for health care services, provided to Insurance Beneficiaries and paid by UKHFWS, submitted by UKHFWS to the Association for reimbursement under Part 1(b)(ii) of the Project and in accordance with the requirements of the PIP.

17. "NCD" means non communicable decease.

18. "PIP" means the State of Uttarakhand's Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated November 30, 2016, which describes detailed Project implementation and institutional arrangements, including, inter alia, detailed financial management and procurement arrangements for the Project, as such manual may be amended from time to time by written agreement between the Recipient and the Association.

19. "PIT" means the Project Implementation Team referred to in section I.A.1(b) of the Schedule to the Project Agreement.

20. "PPP" means a public, private partnership.
and Non-consulting Services under IBRD Loans and IDA Credits and Grants by

22. "Procurement Plan" means the Recipient's procurement plan for the Project, dated
November 30, 2016 and referred to in paragraph 1.18 of the Procurement
Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be
updated from time to time in accordance with the provisions of said paragraphs.

23. "Project Implementing Entity" means the State of Uttarakhand.

24. Reference Rate” means, for any Interest Period:

(a) LIBOR. If such rate does not appear on the Relevant Rate Page, the
Association shall request the principal London office of each of four major
banks to provide a quotation of the rate at which it offers six-month
deposits in Dollar to leading banks in the London interbank market at
approximately 11:00 a.m. London time on the Reference Rate Reset Date
for the Interest Period. If at least two such quotations are provided, the rate
for the Interest Period shall be the arithmetic mean (as determined by the
Association) of the quotations. If less than two quotations are provided as
requested, the rate for the Interest Period shall be the arithmetic mean (as
determined by the Association) of the rates quoted by four major banks
selected by the Association in the relevant Financial Center, at
approximately 11:00 a.m. in the Financial Center, on the Reference Rate
Reset Date for the Interest Period for loans in Dollar to leading banks for
six months. If less than two of the banks so selected are quoting such rates,
the Reference Rate for Dollar for the Interest Period shall be equal to the
Reference Rate in effect for the Interest Period immediately preceding it;
and

(b) if the Association determines that LIBOR has permanently ceased to
be quoted for Dollar, such other comparable reference rate for the relevant
currency as the Association shall reasonably determine.

25. “Reference Rate Reset Date” means the day two London Banking Days prior to
the first day of the relevant Interest Period (or in the case of the initial Interest
Period, the day two London Banking Days prior to the first or fifteenth day of the
month in which this Agreement is signed, whichever day immediately precedes
the date of this Agreement; provided that if the date of this Agreement falls on
the first or fifteenth day of such month, the Reference Rate Reset Date shall be the day
two London Banking Days prior to the date of this Agreement.
26. "Relevant Rate Page" means the display page designated by an established financial market data provider selected by the Association as the page for the purpose of displaying the Reference Rate for deposits in the Credit Currency.

27. "State of Uttarakhand" and "Uttarakhand" mean one of the Recipient's states, which was formed and recognized pursuant to the Recipient's Uttar Pradesh Reorganization Act of 2000, and which is the Project Implementing Entity.

28. "Training" means non-consultant expenditures incurred by the PIT in connection with the carrying out of workshops and the provision of training, including training institution fees, logistics, materials and the cost of travel and per diem of trainers and trainees.

29. "Tribal Action Plan" means the plan acceptable to the Association, disclosed on September 2, 2014, as part of the ESMP, detailing the specific actions, measures and policies designed to address any impact on scheduled casts, scheduled tribes or any other ethnic communities; as said plan and any annexes or schedules to such plan, may be amended from time to time by agreement between the Recipient and the Association.

30. "UKHFWS" means Uttarakhand Health and Family and Welfare Society, established and registered under the Society Registration Act 1860, as amended to date, and operating according to its Memorandum and Articles of Association and its By-Laws, both dated November 10, 2003, as revised on September 24, 2015, and any successor or successors thereto.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of Section 3.01(b) is modified to read as follows:

   "The Commitment Charge shall be computed using a day-count convention reasonably determined by the Association".

2. Section 3.02 is modified to read as follows:

   "Section 3.02. Interest Charge

   The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest Charges shall
be computed using a day-count convention reasonably determined by the Association.

3. Section 3.03 is modified by deleting paragraph (b) in its entirety and amending the remaining provision to read as follows:

"Section 3.03. Repayment of the Credit

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement."

4. Section 3.04 is modified to read as follows:

"Section 3.04. Prepayment

(a) After giving not less than forty-five days' notice to the Association, the Recipient may repay the Association in advance of maturity, as of a date acceptable to the Association, all or any part of the principal amount of one or more maturities of the Credit specified by the Recipient, provided the Recipient has made payments due on the Credit as at such date, including any prepayment premium calculated pursuant to paragraph (b) of this Section.

(b) The prepayment premium payable under paragraph (a) of this Section shall be an amount reasonably determined by the Association to represent any gains or losses to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit."

5. A new Section 3.11 is added to read as follows:

"Section 3.11. Cancellation Premia on Payment Failure, Cancellation, Suspension, Acceleration or Refund of the Credit.

The Recipient shall pay to, or be entitled to receive from, the Association a cancellation premium that the Association shall reasonably determine represents any losses or gains to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit as a result of: (i) the Recipient’s failure to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association under this Agreement; (ii) any cancellation, suspension or acceleration of the Credit under Article VI of these General Conditions; or (iii) any refund of the Credit. The Recipient shall pay any cancellation premium due to the Association not later than sixty days after notice shall have been given by the Association."
6. Paragraph 28 of the Appendix ("Financing Payment") is modified by substituting the words "the Service Charge" with the words "the Interest Charge".

7. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

   "32. "Interest Charge" means the charge specified in the Financing Agreement for the purpose of Section 3.02."

8. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by substituting the words "Service Charges" with the words "Interest Charges".

9. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is deleted in its entirety.