Project Agreement

(Tamil Nadu Health Systems Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF TAMIL NADU

Dated January 5, 2005
CREDIT NUMBER 4018 IN

PROJECT AGREEMENT

AGREEMENT, dated January 5, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF TAMIL NADU (Tamil Nadu).

WHEREAS (A) the Association has received a letter dated July 28, 2004, from Tamil Nadu describing a program of actions, objectives and policies designed to improve Tamil Nadu’s health sector policies and the health and well-being of Tamil Nadu’s population (the Program) and declaring Tamil Nadu’s commitment to the execution of the Program; and

WHEREAS (B) by the Development Credit Agreement of even date herewith between India, acting by its President (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to seventy three million and nine hundred thousand Special Drawing Rights (SDR 73,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Tamil Nadu agrees to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS Tamil Nadu, in consideration of the Association’s entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Tamil Nadu declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and public health practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.
(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Tamil Nadu shall otherwise agree, Tamil Nadu shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

(c) Except as the Association may otherwise agree, Tamil Nadu shall, in accordance with arrangements and procedures satisfactory to the Association, make available to the Project Management Unit proceeds of the Credit made available to Tamil Nadu by the Borrower, as well as additional funds from Tamil Nadu’s own resources required for effective and timely implementation of the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Tamil Nadu shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Tamil Nadu shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Tamil Nadu, a plan for the future operation of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with Tamil Nadu on the said plan.

Section 2.05. (a) Tamil Nadu shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project and the Program, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) Tamil Nadu shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project or the Program, the accomplishment of the purposes of the Credit, or the performance by Tamil Nadu of its obligations under this Agreement.
ARTICLE III

Financial Covenants

Section 3.01. (a) Tamil Nadu shall maintain a financial management system, including records and accounts and prepare financial statements in a format acceptable to the Association, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project of the department or agencies of Tamil Nadu responsible for the carrying out of the Project or any part thereof.

(b) Tamil Nadu shall:

(i) have the records, accounts and the financial statements referred to in paragraph (a) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such Fiscal Year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Fiscal Year as so audited and (B) an opinion on such financial statements, records and accounts and report of such audit, by the said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information as the Association may reasonably request from time to time concerning such records, accounts and financial statements as well as the audit thereof.

Section 3.02. (a) Tamil Nadu shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association which:

(i) sets forth sources and applications of funds for the Project, both cumulatively and for the period covered by said report, showing separately the funds provided under the Credit and explains the variances between the actual and planned sources and uses of such funds and Projected sources and applications of funds for the Project for the six-month period following the period covered by said report;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by the said report; and
explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by the said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than sixty (60) days after the end of the first calendar quarter after the Effective Date and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter each Financial Monitoring Report shall be furnished to the Association not later than sixty (60) days after each subsequent calendar quarter and shall cover the period not covered by the previous Financial Monitoring Report until the end of such calendar quarter.

ARTICLE IV
Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Tamil Nadu thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Tamil Nadu of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V
Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the
party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

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

For Tamil Nadu

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

Telephone Facsimile  
91-44-25671555 91-44-25672304

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Tamil Nadu may be taken or executed by its Chief Secretary or by such other person or persons as Tamil Nadu shall designate in writing, and Tamil Nadu shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Carter

Country Director, India

STATE OF TAMIL NADU

By /s/ Ranjit Bannerji

Authorized Representative
SCHEDULE 1

Procurement and Consultants’ Services

Section I. General

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

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

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

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

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than $300,000 equivalent per contract and all contracts for works may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions agreed between the Borrower and the Association in writing from time to time.

3. Shopping. Goods estimated to cost less than $30,000 equivalent per contract and works estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
4. **Direct Contracting.** Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

5. **Force Account.** Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $500,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based Selection.** Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Selection Under a Fixed Budget.** Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. **Least-cost Selection.** Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. **Service Delivery Contractors.** Services to be provided by data entry operators, social workers, staff nurses, laboratory technicians etc., may be procured in accordance
with the provisions of paragraph 3.21 of the Consultant Guidelines on the basis of procedures acceptable to the Association.

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

Section IV. **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.
SCHEDULE 2

Implementation Program

1. Tamil Nadu shall carry out the Project in accordance with the Project Implementation Plan and, except as the Association shall otherwise agree, Tamil Nadu shall not amend or waive any provision of the Project Implementation Plan if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. For the purpose of managing the implementation of the Project, Tamil Nadu shall:
   (a) no later than 90 days after the Effective Date, make the Project Management Unit fully functional and operational including through the completion of recruitment of all required personnel (including financial management staff) with skills, qualifications and experience as set forth in the PIP;
   (b) no later than ninety (90) days after the Effective Date, make the Strategic Planning Cell fully functional and operational including through the completion of recruitment of all required personnel with skills, qualifications and experience as set forth in the PIP;
   (c) no later than 90 days after the Effective Date, establish a Public-Private Partnership Cell to implement and monitor public private partnership activities as set forth in the PIP;
   (d) maintain the Project Management Unit, the Strategic Management Unit and the Public-Private Partnership Cell referred to in (a) through (c) above throughout the duration of the Project all with composition, powers, functions, and resources satisfactory to the Association.

3. Tamil Nadu shall implement the Health Care Waste Management Action Plan in accordance with the objectives, policies, procedures, time schedules and other provisions set forth in such Plan, and shall not amend or waive any provisions of such plan without the prior approval of the Association.

4. Tamil Nadu shall implement the Tribal Development Plan under this project in accordance with the objectives, policies, procedures, time schedules and other provisions set forth in such Plan, and shall not amend or waive any provisions of such plan without the prior approval of the Association.

5. Tamil Nadu shall, no later than six months from the Effective Date, establish norms, satisfactory in substance to the Association, relating to the timely payment for services provided by NGOs under the Project, and shall ensure that such norms are adhered to during Project implementation, in a manner satisfactory to the Association. By
no later than twelve months after the Effective Date, Tamil Nadu and the Association shall review the progress of contracts with private sector partners for implementation of the Public Private Partnerships under the project.

6. Throughout the duration of the Project, Tamil Nadu shall make adequate budgetary allocation for maintenance of secondary level health facilities.

7. No later than twelve (12) months from the date of effectiveness of this agreement, Tamil Nadu shall start implementing pilot programs for the primary prevention and management of cardio-vascular disease and cervical cancer in accordance with the plan and time-frame set forth in the PIP;

8. Tamil Nadu shall ensure that no civil works shall be carried out under the Project that will require the acquisition of land and that may result in the involuntary resettlement of local population.

9. Tamil Nadu shall carry out each phase of the Project in accordance with the time-frame set forth in the PIP and on completion of each phase shall promptly review with the Association, the implementation of such phase and shall furnish to the Association, a plan covering the range of activities to be undertaken under the following phase of the Project satisfactory to the Association. Thereafter, Tamil Nadu shall implement such plan in a manner satisfactory to the Association.

10. Tamil Nadu shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof.

   (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association no later than August 31, 2007 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

   (c) review with the Association by November 30, 2007, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said reports and the Association’s views on the matter.