

CONFORMED COPY

CREDIT NUMBER 3338 IN

Uttaranchal Project Agreement

(Health Systems Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTARANCHAL

Dated November 8, 2001

CREDIT NUMBER 3338 IN

UTTARANCHAL PROJECT AGREEMENT

AGREEMENT dated November 8, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATE OF UTTARANCHAL, acting by its Governor (Uttaranchal).

WHEREAS by the Development Credit Agreement dated May 19, 2000, as amended to date (the Development Credit Agreement) between India (the Borrower) and the Association, the Association agreed to make available to the Borrower an amount in various currencies equivalent to eighty-two million one hundred thousand Special Drawing Rights (SDR82,100,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Uttaranchal and Uttar Pradesh agree to undertake such obligations toward the Association as are set forth in the Project Agreement and in this Agreement; and

WHEREAS Uttaranchal, 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 the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Uttaranchal declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and health practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, Uttaranchal shall carry out the Project in accordance with the implementation program set forth in Schedule 2 to this Agreement.

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. Uttaranchal 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 Uttaranchal Project Agreement.

Section 2.04. (a) Uttaranchal shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

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

Section 2.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Uttaranchal shall:

(a) 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 Uttaranchal, a plan designed to ensure the sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with Uttaranchal on said plan.

ARTICLE III

Financial Covenants

Section 3.01. (a) Uttaranchal 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 financial management and accounting practices the operations, resources and expenditures related to the Project of the departments or agencies of Uttaranchal responsible for carrying out the Project or any part thereof.

(b) Uttaranchal shall:

(i) have the records, accounts and 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 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 a report of such audit, by 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 concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Uttaranchal shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 3.01 in order to enable Uttaranchal to not later than June 30, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and
- (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and
- (B) 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 said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, Uttaranchal shall prepare, in accordance with the guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

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 Agreement Amending the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Uttaranchal 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 twenty (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 Uttaranchal 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, telegram, cable, 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:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Uttaranchal:

Chief Secretary
Government of Uttaranchal
Dehradun
Uttaranchal, India

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 Uttaranchal may be taken or executed by its Chief Secretary or such other person or persons as Uttaranchal shall designate in writing, and Uttaranchal 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/ Edwin R. Lim

Country Director, India

STATE OF UTTARANCHAL

By /s/ Alok Kumar Jain

Authorized Representative

SCHEDULE 1

Procurement

Section I: Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods (except vehicles) shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil Works estimated to cost \$30,000 equivalent or more per contract shall be procured under contracts awarded in accordance with procedures satisfactory to the Association.

(b) Goods (except vehicles) estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$3,960,000 equivalent, may be procured under contracts awarded in accordance with procedures satisfactory to the Association.

2. Procurement of Small Goods (Except Vehicles)

(a) Goods (except vehicles) estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,330,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods (except vehicles) estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$60,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. Vehicles

Vehicles estimated to cost up to an aggregate amount not to exceed \$50,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may:

(i) be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$230,000 equivalent;

(ii) be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or

(iii) as a last resort, be carried out by force account if they meet the

requirements of the provisions of paragraph 3.8 of the Guidelines, up to an aggregate amount not to exceed \$40,000 equivalent.

5. Contracts for Maintenance of Buildings, Equipment and Vehicles

Contracts for maintenance of buildings, equipment and vehicles referred to in paragraph 2(c) of Part A of Schedule 1 to the Development Credit Agreement, estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$1,240,000 equivalent, may:

(a) be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$160,000 equivalent;

(b) be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; or

(c) as a last resort, be carried out by force account if they meet the requirements of the provisions of paragraph 3.8 of the Guidelines, up to an aggregate amount not to exceed \$100,000 equivalent.

6. Contracts for Hiring of Vehicles

Contracts for hiring of vehicles referred to in paragraph 2(c) of Part A of Schedule 1 to the Development Credit Agreement estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$463,000 equivalent, may be procured under fixed-price contracts awarded on the basis of quotations obtained from three vehicle hire-purchase firms.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for works estimated to cost the equivalent of \$300,000 or more; (b) each contract for goods estimated to cost the equivalent of \$200,000 or more; (c) the first two contracts for works awarded under paragraph 1(a) of Part C of this Section I; and (d) the first two contracts for goods awarded under paragraph 1(b) of Part C of this Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II: Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Services provided by consultants which meet the requirements set forth in paragraph 3.9 of the Consultant Guidelines and are estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. Least Cost Selection

Services of Consultants for assignments of a standard or routine nature estimated to cost less than \$100,000 equivalent per contract may be procured in accordance with the provisions of paragraph 3.6 of the Consultant Guidelines.

4. Service Delivery Contractors

Consultant services estimated to cost less than \$20,000 equivalent per contract may be procured in accordance with the provisions of paragraph 3.19 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

Uttaranchal Project Implementation Plan

1. Uttaranchal shall carry out the Project in accordance with the Uttaranchal Project Implementation Plan.

Project Management Unit

2. Uttaranchal shall, by August 31, 2001, appoint and thereafter maintain, personnel, including financial management staff, in the Project Management Unit with skills, qualifications and experience as set forth in the Uttaranchal Project Implementation Plan.

Strategic Management Board

3. Uttaranchal shall maintain the Strategic Management Board with composition, powers, functions and resources as set forth in the Uttaranchal Project Implementation Plan.

Allocation of Resources within the Health Sector

4. Uttaranchal shall: (i) monitor its financing plan to increase expenditures to the health sector (DOMHFW); and (ii) ensure that within the resources (plan and non-plan) allocated to the health sector in each Fiscal Year during the period of Project implementation, the share of resources allocated to non-wage recurrent items will be increased in each such Fiscal Year from the immediately preceding Fiscal Year.

Health Facilities

5. Uttaranchal shall place a three-year moratorium on the construction of new CHCs until December 31, 2003.

User Fees

6. Uttaranchal shall implement a program to: (i) ensure that 100% of user fees collected will be retained at the health facility level for use on non-wage items by May 31, 2003; and (ii) ensure exemptions for the poor from user fees satisfactory to the Association.

Annual Assessment of DOMHFW

7. By December 31 of each year, commencing December 31, 2001, Uttaranchal shall undertake an annual assessment by an independent reviewer of transfers, absenteeism and disciplinary actions of personnel in DOMHFW and promptly furnish to the Association a copy of such annual assessment.

Project Funds

8. Uttaranchal shall ensure that Project funds will be released to the departments and agencies of Uttaranchal in a timely manner and in accordance with the procedures described in the PFMS Manual.

Procurement and Financial Reviews

9. By December 31, of each year, commencing December 31, 2001, Uttaranchal shall undertake an annual review of procurement and internal financial controls by an independent agency and promptly furnish to the Association a copy of such review.

Annual Review and Work Plan; Budgetary Allocations

10. Uttaranchal shall:

(a) by April 30 of each year during the period of Project implementation, beginning with April 30, 2001:

(i) provide to the Association an annual work plan, acceptable to the Association, setting forth the activities under the Project to be carried out during the prevailing Fiscal Year including the budgetary allocations to be made available for such purpose, as well as the performance benchmarks and development objectives to be achieved and drawn from the overall framework agreed to be achieved under the Project including, inter alia, hospital activity indicators, hospital efficiency indicators, and quality, access and effectiveness indicators to be measured in accordance with methodology satisfactory to the Association; and

(ii) review with the Association the progress achieved in implementing the Project under the annual work plan for the previous Fiscal Year and the interim plan referred to in sub-paragraph (c) of this paragraph with special reference to the achievement of the performance benchmarks and development objectives incorporated therein;

(b) implement each annual work plan in a manner satisfactory to the Association; and

(c) implement the Project until the formulation of the first annual work plan in accordance with an interim plan agreed with the Association.

11. Uttaranchal shall ensure that sufficient budgetary allocations for the annual work plans referred to in paragraph 10 above are made available on a timely basis to meet the resource requirements under such plans.

Hospital Waste Management Assessment and Plan

12. Uttaranchal shall implement the Hospital Waste Management Assessment and Plan in accordance with the objectives, policies, procedures, time schedules and other provisions set out therein.

Resettlement and Rehabilitation

13. Uttaranchal shall ensure that no civil works which may result in the involuntary resettlement of people will be undertaken under the Project.

Monitoring and Evaluation; Mid-term Review

14. (a) By no later than May 31, 2003, Uttaranchal shall:

(i) formulate and thereafter implement, a comprehensive essential drug policy satisfactory to the Association;

(ii) provide to the Association a report on the condition of the facilities strengthened and rehabilitated under the Project to date demonstrating that such facilities are fully functional and operating in accordance with the new norms and making timely progress on the indicators of facility performance;

(iii) provide to the Association a report of the assessments of the initial pilot studies, including those for: (A) District financial delegation; (B) contracting services to the private sector; (C) a trauma center; (D) innovative schemes to underserved areas; (E) disease surveillance; (F) referral mechanisms; and (G) HMIS; and

(iv) develop a new system of capital appraisal, to be used for the purposes of justifying new proposals for capital investments in the health sector.

(b) Uttaranchal shall:

(i) 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; and

(ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, by May 31, 2003, a report

integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(c) Review with the Association, by June 30, 2003, or such later date as the Association shall request, the report referred to in sub-paragraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

