

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N041-IN

Project Agreement

(Orissa Health Systems Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association, as amended

and

STATE OF ORISSA

Dated August 13, 1998

INTERIM FUND CREDIT NUMBER N041-IN

PROJECT AGREEMENT

AGREEMENT, dated August 13 1998, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996, as amended, and the STATE OF ORISSA, acting by its Governor (Orissa).

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Administrator has received a letter dated April 20, 1998 from the State of Orissa, describing a program of objectives, policies and actions to improve the primary and secondary levels of health care (the Orissa Health Sector Development Program) and declaring its commitment to carry out such Program;

(C) by the Interim Fund Development Credit Agreement of even date herewith between India (the Borrower) and the Administrator, the Administrator has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-six million eight hundred thousand Special Drawing Rights (SDR 56,800,000), on the terms and conditions set forth in the Interim Fund Development Credit Agreement, but only on condition that Orissa agree to undertake such obligations toward the Administrator as

are set forth in this Agreement; and

WHEREAS Orissa, in consideration of the Administrator's entering into the Interim Fund 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 Interim Fund Development Credit 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) Orissa declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Interim Fund Development Credit Agreement, 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.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Administrator and Orissa shall otherwise agree, Orissa 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 Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Orissa 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 and the Project.

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

(i) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Administrator and Orissa, a plan designed to ensure the sustainability of the Project; and

(ii) afford the Administrator a reasonable opportunity to exchange views with Orissa on said plan.

Section 2.04. (a) Orissa shall, at the request of the Administrator, exchange views with the Administrator 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 Interim Fund Credit.

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

ARTICLE III

Financial Covenants

Section 3.01. (a) Orissa shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) Orissa shall:

(i) have the records and accounts 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 Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such Fiscal Year, the report of such audit by said auditors of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records and accounts as well as the audit thereof, as the Administrator shall from time to time reasonably request.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension;
Designation of the Administrator

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

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

(i) the date on which the Interim Fund 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 Interim Fund Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Administrator shall promptly notify Orissa 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.

Section 4.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to Orissa.

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 radiogram 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. The addresses so specified are:

For the Association and the Administrator:

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 Orissa:

Chief Secretary to the
Government of Orissa
Bhubaneshwar, 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 Orissa may be taken or executed by its Health Secretary or such other person or persons as Orissa shall designate in writing, and Orissa shall furnish to the Administrator 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
as Administrator of the interim trust fund established
with funds contributed by certain members of
International Development Association pursuant to
Resolution No. IDA 184 of the Board of Governors of
International Development Association, as amended

By /s/ Edwin R. Lim

Country Director, India

STATE OF ORISSA

By /s/ Sanujit Ghosh

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

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 and September 1997 (the Guidelines) and the following provisions of this Section.

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, (i) contracts for goods (except vehicles) shall be grouped in bid packages estimated to cost more than \$200,000 equivalent each and (ii) contracts for vehicles shall be grouped in bid packages estimated to cost more than \$100,000 equivalent 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. Civil Works

(a) Civil works estimated to cost more than \$45,000 equivalent per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Civil works estimated to cost \$45,000 equivalent or less per contract, up to an aggregate amount not to exceed \$4,150,000 equivalent, may:

(i) with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$750,000 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 Administrator, 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 in a manner satisfactory to the Administrator, up to an aggregate amount not to exceed \$1,800,000 equivalent.

2. Goods (Except Vehicles)

(a) Goods (except vehicles) estimated to cost \$200,000 equivalent or less per contract, up to an aggregate amount not to exceed \$15,210,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods (except vehicles) estimated to cost \$30,000 equivalent or less per contract, up to an aggregate amount not to exceed \$4,300,000 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.

(c) Goods (except vehicles) estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$220,000 equivalent, may be procured

in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. Vehicles

Vehicles estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$750,000 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. Maintenance of Buildings and Equipment

Services for maintenance of buildings and equipment, up to an aggregate amount not to exceed \$4,650,000 equivalent:

(a) shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines if they are estimated to cost more than \$25,000 equivalent per contract; and

(b) may, if they are estimated to cost \$25,000 equivalent or less per contract:

(i) be procured in accordance with the provisions of paragraph 3.7 of the Guidelines if they meet the requirements of said paragraph; or

(ii) as a last resort, be carried out by force account in accordance with the provisions of paragraph 3.8 of the Guidelines if they meet the requirements of said paragraph.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator 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 Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (a) each contract for civil works estimated to cost more than the equivalent of \$300,000, (b) the first two contracts for civil works estimated to cost more than the equivalent of \$45,000 but not more than the equivalent of \$300,000, (c) each contract for goods (except vehicles) estimated to cost more than the equivalent of \$200,000, (d) the first two contracts for goods (except vehicles) estimated to cost more than the equivalent of \$30,000 but not more than the equivalent of \$200,000 and (e) each contract for vehicles estimated to cost more than the equivalent of \$100,000, 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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 estimated to cost \$200,000 equivalent or less 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 (i) consultants which meet the requirements of paragraph 3.9 of the Consultant Guidelines and are estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$3,980,000 equivalent, (ii) a procurement agent for contracts for civil works for the first year of Project implementation and estimated to cost \$300,000 or less and (iii) a procurement agent for contracts for equipment, instruments and furniture for the first year of Project implementation and estimated to cost \$200,000 or less may 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.

Part D: Review by the Administrator 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 Administrator 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 Administrator, 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 Administrator 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

Project Implementation Plan

1. Orissa shall carry out the Project in accordance with the Project Implementation Plan. Policy and Strategic Planning Unit
2. Orissa shall, by December 31, 1998, strengthen the Policy and Strategic Planning Unit with adequate powers, functions, staff and resources satisfactory to the Administrator and maintain such Unit during the implementation of the Project. Project Management Cell
3. Orissa shall complete, by December 31, 1998, the recruitment of, and thereafter maintain, personnel in the Project Management Cell with adequate skills, qualifications and experience.
4. Orissa shall take all such measures as may be necessary or advisable in order to provide to the Project Management Cell, and thereafter maintain, authority to manage the activities to be carried out under the Project, including civil works construction and maintenance.

Project Review Committee and Steering Committee

5. Orissa shall maintain the Project Review Committee and the Steering Committee during the implementation of the Project with composition, powers, functions and resources as set forth in the Project Implementation Plan.

Allocation of Resources

6. Orissa shall:
 - (a) ensure that within the resources (plan and non-plan) allocated to the health sector in each Fiscal Year during the implementation of the Project, the share of resources for the Primary and Secondary Levels of Health Care shall be increased in each such Fiscal Year from the immediately preceding Fiscal Year through FY 2004; and
 - (b) allocate in each such Fiscal Year at district, subdivisional and area hospitals and community health centers covered under the Project adequate resources for drugs in accordance with norms set forth in Annex 2 to Chapter III of the Project Implementation Plan and essential supplies and maintenance of equipment and buildings in accordance with norms set forth in the Project Implementation Plan.

Hospital Staffing and Technical Norms

7. Orissa shall adopt, within six months after completion of the renovation and extension of each hospital under the Project, and thereafter maintain and implement, staffing and technical norms for improving the quality of health care services provided at such hospital as set forth in the Project Implementation Plan.

User Charges

8. Orissa shall continue to implement a program for collecting user charges at district hospitals, such program to focus, inter alia, on: (a) strengthening collection of existing user charges and management arrangements; (b) implementing revised user charges in a phased manner within six months after completion of the renovation and extension of each hospital and adoption of staffing and technical norms at such hospital; (c) permitting the revenues collected from user charges to be retained at the hospital level; and (d) reviewing and revising the mechanism for targeting beneficiaries below the poverty line for exemption from user charges, as necessary or appropriate.

Referral Protocols and Guidelines

9. Orissa shall establish by March 31, 1999, and thereafter maintain and implement, referral protocols and guidelines satisfactory to the Administrator.

Tribal Strategy

10. Orissa shall implement the Tribal Strategy in tribal areas (as designated by Orissa) in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein.

Environmental Action Plan

11. Orissa shall implement the Environmental Action Plan in accordance with the objectives, policies, procedures, time schedule and other provisions set out therein. Resettlement and Rehabilitation 12. Orissa shall ensure that no civil works which may result in the involuntary resettlement of people will be undertaken under the Project.

Annual Review and Work Plan; Budgetary Allocations

13. Orissa shall:

(a) by April 30 of each year during the implementation of the Project beginning with April 30, 1999:

(i) provide to the Administrator an annual work plan, acceptable to the Administrator, 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 Administrator; and

(ii) review with the Administrator the progress achieved in implementing the Project under the annual work plan for the previous Fiscal Year and the interim plan referred to in subparagraph (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 Administrator; and

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

14. Orissa shall ensure that sufficient budgetary allocations for the annual work plans and the interim plan referred to in paragraph 13 of this Schedule are made available on a timely basis to meet the resource requirements under such plans.

Monitoring and Evaluation; Mid-term Review

15. Orissa 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 Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, by May 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (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; and

(c) review with the Administrator, by June 30, 2001, or such later date as the Administrator shall request, the report referred to in subparagraph (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 Administrator's views on the matter.

