

CONFORMED COPY

CREDIT NUMBER 4018 IN

Development Credit Agreement

(Tamil Nadu Health Systems Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 5, 2005

CREDIT NUMBER 4018 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 5, 2005, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter dated July 28, 2004 from the State of Tamil Nadu (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

(C) the Project will be carried out by Tamil Nadu with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to Tamil Nadu, as set forth in this Agreement;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement (the Project Agreement) of even date herewith between the Association and Tamil Nadu;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Eligible Categories” means Categories (1) to (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(b) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(c) “Financial Monitoring Report” means each report prepared in accordance with Section 3.02 (a) of the Project Agreement;

(d) “Fiscal Year” means the Fiscal Year of the Borrower and Tamil Nadu beginning on April 1 of a calendar year and ending on March 31 of the following calendar year;

(e) “Health Care Waste Management Action Plan” means the Health Care Waste Management Action Plan of Tamil Nadu dated August 31, 2004, which is designed to provide a detailed blueprint for the environmentally sound management of hospital waste from health-care facilities, and such Health Care Waste Management Action Plan as may be amended from time to time by agreement between the Association and Tamil Nadu;

(f) “Mid-term Review” means the review referred to in paragraph 10(b) of Schedule 2 to the Project Agreement;

(g) “NGO” means a non-governmental legal entity, determined by the Borrower and the Association as capable of assisting in the fulfillment of the objectives of the Project;

(h) “Private-Public Partnership” means each partnership developed between a public entity or agency, operating within the Government of Tamil Nadu, and a private entity for the purpose of fulfillment of the project objectives;

(i) “Private-Public Partnership Cell” means the cell to be established within the PMU in accordance with the provisions of paragraph 2 (c) of Schedule 2 of the Project Agreement to oversee all public private activities under the Project;

(j) “Procurement Plan” means Tamil Nadu’s procurement plan, dated November 5, 2004 covering the initial 18 month period (or longer) of Project implementation, as shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement;

(k) “Project Agreement” means the agreement between the Association and Tamil Nadu of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(l) “Project Implementation Plan” (PIP) means the Plan, dated August 18, 2004 formulated by Tamil Nadu and accepted by the Association, for the purpose of implementing the Project, and as such plan may be revised from time to time with the approval of the Association;

(m) “Project Management Unit” (PMU) means the unit established by Tamil Nadu at the state level within the Department of Health and Family Welfare of Tamil Nadu for the purpose of implementing, coordinating and supervising the project;

(n) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part B.2 of Schedule 1 to this Agreement;

(o) “Strategic Planning Cell” (SPC) means the Cell to be established by Tamil Nadu within the Project Management Unit in accordance with the provisions of paragraph 2 (b) of Schedule 2 of the Project Agreement for the purpose of developing and assisting health policy and planning in Tamil Nadu;

(p) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(q) “Tamil Nadu” means the Borrower’s State of Tamil Nadu, or any successor thereto; and

(r) “Tribal Development Plan” means the Tribal Development Plan of Tamil Nadu dated May 27, 2004 which is designed to address the specific health needs of tribal people under this project, and such Tribal Development Plan as may be amended from time to time by agreement between the Association and Tamil Nadu.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to seventy three million and nine hundred thousand Special Drawing Rights (SDR 73,900,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be September 30, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2015 and ending December 15, 2039. Each installment to and including the installment payable on December 15, 2024 shall be one and one-fourth percent (1¼%) of such principal amount, and each installment thereafter shall be two and one half percent (2½%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the

development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Tamil Nadu to perform in accordance with the provisions of the Project Agreement all the obligations of Tamil Nadu therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Tamil Nadu to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Tamil Nadu in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

(c) The Borrower shall participate jointly with the Association and Tamil Nadu in the carrying out of the Mid-term Review.

Section 3.02. (a) 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 the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) Tamil Nadu shall update the Procurement Plan dated November 5, 2004 in accordance with guidelines acceptable to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. The Borrower and the Association hereby agree that 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 shall be carried out by Tamil Nadu pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were Report-based Disbursements or were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account 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 year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the reports referred to in paragraph 5 of Part A of Schedule 1 to this Agreement or the statements of expenditure submitted during such fiscal year, as the case may be, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

- (a) a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) Tamil Nadu shall have failed to perform any of its obligations under the Project Agreement; and
- (c) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Tamil Nadu will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and Tamil Nadu; and

(b) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by Tamil Nadu, and is legally binding upon Tamil Nadu in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance or successor thereto of the Borrower are each designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi 110 001
India

Cable address:

Telex:

Facsimile:

ECOFAIRS
New Delhi

953-31-66175
FINE IN

91-11-23092477

For the Association:

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

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

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.

INDIA

By /s/ Ranjit Bannerji

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Carter

Country Director, India

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works	26,200,000	85%
(2) Goods	17,600,000	100% of foreign expenditures; 100% of local expenditures (ex- factory cost); and 80% of local expenditures for other items procured locally
(3) Consultants services	1,400,000	90%
(4) Information Education and Communication Services including, training/ IEC/ Management Information System (MIS) material, Workshops and NGO services	23,000,000	100%
(5) Incremental operating costs	1,800,000	80% until March 31, 2007; 60% from April 1, 2007 to March 31, 2008; 40% from April 1, 2008 to March 31, 2009; and 25% thereafter
(6) Unallocated	<u>3,900,000</u>	
Total	<u>73,900,000</u>	

For the purposes of this Schedule:

2. (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower for goods or services supplied from the territory of the Borrower; and

(c) the term “Incremental operating costs” means the following additional costs incurred in the carrying out of the Project: the costs of (i) office expenses, including office rent under the Project, (ii) operation, hiring and maintenance of vehicles, excluding vehicles engaged in PPPs, (iii) operation and maintenance of equipment and furniture purchased under the Project, (iv) leasing of common hospital waste treatment facilities, (v) Project related domestic travel including allowances; and (vi) expenses related to procurement activities under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 700,000, may be made on account of payments made for expenditures before that date but after July 1, 2004.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) expenditures for civil works under contracts costing less than \$ 500,000 equivalent each; (ii) expenditures for goods under contracts costing less than \$300,000 equivalent each; (iii) expenditures for services under contracts costing less than: (A) \$100,000 equivalent each in the case of consulting firms, and (B) \$50,000 equivalent each in the case of individual consultants; and (iv) incremental operating costs, training and workshops, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the Financial Monitoring Report and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the Projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower shall open and maintain in Dollars a special deposit account in the Reserve Bank of India, on terms and conditions satisfactory to the Association.
2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:
 - (a) If the Borrower is not seeking Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and
 - (b) If the Borrower is seeking Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.
3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.
4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:
 - (a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;
 - (b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or
 - (c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of the Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.
5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be

made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to \$15,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$7,500,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 25,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the

Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist Tamil Nadu in improving the effectiveness of its health system through: (i) increasing access to, and utilization of, health services, particularly by poor, disadvantaged and tribal groups; and (ii) developing effective interventions to address key health challenges including non-communicable diseases; (iii) improved health outcomes, access and quality of service delivery through strengthened oversight of the public sector health systems and greater engagement of non-governmental sector; and (iv) increasing effectiveness of service delivery in public hospitals. The project will be implemented in a phased manner, where districts and pockets within districts (identified based on a set of criteria) will be the priority for physical investments and this will be used to ensure effective implementation of systems reforms.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Increasing Access to and Utilization of Services

Improving access to critical services through, *inter alia*:

1. Reducing maternal and neonatal mortality by establishment of at least two comprehensive emergency obstetrical and neonatal care centers (CEmONCs) in each district to provide treatment for obstetrical and neonatal emergencies, and act as hubs to improve quality of care in referring facilities.
2. Improving tribal health through carrying out of the Tribal Development Plan to increase access to health care among tribal populations, and the strengthening of existing primary and secondary services in tribal areas through public-private partnerships. The private partners will carry out tribal health activities, including but not limited to, providing key staff in selected Primary Health Centers (PHCs) and Health Sub Centers (HSCs), establishing "tribal clinics" in government hospitals, take over running of certain remote PHCs/HSCs and training of a cadre of village level tribal health workers.
3. Facilitating use of hospitals by the poor and disadvantaged: through (i) community mobilization by NGOs and outreach workers; (ii) the implementation of well-designed behavior change strategies for health promotion; (iii) the implementation of a strategy calling for counseling centers, run by NGOs and local self-help groups, to provide information regarding patient rights, availability of services, and legitimate charges for services; and (iv) inter-personal communication training for health personnel to improve provider behavior.

Part B: Developing Effective Models to Combat Non-Communicable Diseases and Accidents

1. Supporting health promotion by undertaking population-based health promotion activities for preventing non-communicable diseases through: (i) policy and advocacy, (ii) mass media, (iii) behavior change communications, (iv) community-based interventions, (v) school-based health promotion, (vi) work place-based health promotion, and (vii) use of life-style counseling centers.
2. Carrying out of large-scale operational research via two pilots for screening and treatment of specific non-communicable diseases, and risk factors in primary and secondary care settings.
3. Carrying out of traffic injury prevention and treatment interventions in coordination with both the Departments of Transport and Home, Government of Tamil Nadu, including the provision of training and equipment to accident paramedics, and the strengthening of emergency transport through Public Private Partnerships, and of trauma management for public and private facilities.

Part C: Building Capacity for Oversight and Management of the Health System

1. Strengthening the monitoring and evaluation capacity of the Department of Health of Tamil Nadu by upgrading the health and financial management information systems.
2. Improving quality of care through: (a) the mainstreaming of continuous quality improvement by developing and implementing a set of quality indicators; (b) establishing quality improvement circles in health facilities to track progress on said indicators; (c) protocol development for improved management of key problems; and (d) regulation of public and private hospitals/facilities by building upon the existing regulatory system.
3. Strengthening health care waste management through the implementation of guidelines calling for proper segregation, color-coding, transportation and appropriate disposal; and setting up private-public partnerships to be responsible for waste transportation, treatment and development of training manuals, and training and supervision with appropriate NGOs.
4. Building capacity for strategy development and implementation by: (a) establishing the Strategic Planning Cell to act as a think-tank and conduct studies on health system issues; (b) establishing a public-private wing to manage and monitor all public-private partnership contracts; (c) conducting a health insurance pilot to explore the feasibility of providing community-based health insurance on a reasonable scale; and (d) strengthening Project management to track implementation progress, and carry out procurement and financial management activities .

Part D: Maximizing Efficiency of the Public Sector to deliver Essential Services

1. Refurbishing and upgrading secondary care hospitals through the carrying out of minor civil works, extensions, additions, renovations and works to improve water supply, electricity, and sewerage so as to enable hospitals to provide services in accordance with agreed service norms.
2. Supporting one-time repair and procurement of equipment according to agreed service norms, and implementing a comprehensive maintenance system.
3. Establishing and implementing agreed staffing norms, and supporting human resource planning and development through staff training and incentive mechanisms to improve staff efficiency and performance.
4. Carrying out activities designed to strengthen the financial and administrative powers of hospital managers, and to define the functions of hospital committees so as to improve management of public facilities.

* * *

The Project is expected to be completed by March 31, 2010.