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CREDIT NUMBER 4756-IN

# Financing Agreement

(Additional Financing for Tamil Nadu Health Systems Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 6, 2010

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**CREDIT NUMBER 4756-IN**

**FINANCING AGREEMENT**

AGREEMENT dated July 6, 2010, entered into between INDIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to seventy seven million six hundred thousand Special Drawing Rights (SDR 77,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

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

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Recipient's State of Tamil Nadu (Tamil Nadu) in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, that Tamil Nadu shall have failed to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V — EFFECTIVENESS, TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that all conditions precedent to the effectiveness of the Project Agreement, other than those related to the effectiveness of this Agreement, shall have been fulfilled.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is any of the following: Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

6.02. The Recipient's Address is:

Secretary  
Department of Economic Affairs  
Ministry of Finance, Government of India  
North Block  
New Delhi 110001, India

Facsimile:

91-11-23092039

6.03. The Association's Address is:

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

Facsimile:

1-202-477-6391

AGREED at, Chennai, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Preeti Kudesia  
Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to assist Tamil Nadu improve the effectiveness of its health system through: (i) increasing access to and utilization of maternal and neonatal care services, particularly by poor, disadvantaged and tribal groups; (ii) effective scaling-up of non-communicable disease interventions throughout Tamil Nadu; (iii) improving health outcomes, access and quality of service delivery through strengthened oversight of the public sector health systems and greater engagement of the non-government sector; and (iv) increasing effectiveness of service delivery in public sector hospitals at district and sub-district levels.

#### Part A: Increasing Access to and Utilization of Services

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

1. Reducing maternal and neonatal mortality by supporting: (a) the operation of the existing comprehensive emergency obstetric and neonatal care centers; and (b) the establishment of higher maternity referral institutions at selected medical colleges.
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.
3. Facilitating use of hospitals by the poor and disadvantaged through the provision of: (a) equipment and hospital housing services; and (b) patient counseling and related NGO managed services.

#### Part B: Non-Communicable Disease Prevention and Control

1. Carrying out of health promotion activities for preventing non-communicable diseases, through, *inter-alia*: (a) school-based health promotions; (b) work place-based health promotions; and (c) community-based interventions.
2. Scaling-up throughout the state the screening and treatment of specific non-communicable diseases on the basis of pilots carried out under the Original Project, as well as financing the monitoring and evaluation of the non-communicable disease interventions.

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

1. Strengthening the monitoring and evaluation capacity of the Department of Health and Family Welfare of Tamil Nadu by establishing a computerized hospital management system in all secondary level hospitals in Tamil Nadu and selected medical colleges.
2. Improving quality of care through: (a) the continuous monitoring of the quality of care at secondary level hospitals; (b) the provision of training to hospital and primary health care staff on management and rational use of drugs, and (c) the enhancing of the capacity for the hospital accreditation process.
3. Strengthening health care waste management through the carrying out of the Health Care Waste Management Action Plan
4. Capacity building for strategy development and implementation.

**Part D: Improving Effectiveness and Efficiency of the Public Sector to deliver Essential Services**

1. Equipment rationalization and the strengthening of a comprehensive equipment and pharmaceuticals maintenance and management system.
2. Implementing agreed staffing norms, and supporting human resource planning and development to improve staff efficiency and performance.



**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Tamil Nadu, in accordance with the Recipient's standard arrangements for development assistance to the States of India.
2. The Recipient shall protect the interests of the Association to accomplish the purposes of the Financing.

**B. Anti-Corruption**

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

**Section II. Project Monitoring, Reporting and Evaluation****A. Project Reports**

The Recipient, shall monitor and evaluate the progress of the Project and shall cause Tamil Nadu to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Key Performance Indicators. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain, or shall cause Tamil Nadu to maintain, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall, or shall cause Tamil Nadu to prepare and furnish to the Association not later than sixty (60) days after the end of each quarter, Interim Unaudited Financial Reports (IUFR) for the Project covering the quarter, in form and substance satisfactory to the Association. Said IUFRs will also serve as a basis for disbursement of the Credit for Eligible Expenditures incurred during said quarter.
3. The Recipient shall, or shall cause Tamil Nadu to have the Designated Account and the Project's Financial Statements audited in accordance with the provisions

of Section 4.09(b) of the General Conditions. Each audit of the Designated Account and of the Financial Statements shall cover the period of one (1) financial year of the Recipient, commencing with the financial year in which the first withdrawal under the Project was made. The audit for the Designated Account and audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods, Works and Non-Consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	Limited International Bidding
(b)	National Competitive Bidding, subject to the additional provisions set forth in the Procurement Plan.
(c)	Shopping
(d)	Direct Contracting
(e)	Force Account

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality Based Selection
(b)	Selection Under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection Based on Consultant’s Qualifications
(e)	Single Source Selection
(f)	Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

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

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works, goods (including non-consultant services), consultant’s services, NGO services, training and operating costs	77,600,000	90%
<b>Total Amount</b>	<b>77,600,000</b>	

For purposes of this Section IV:

(a) the term “training” means non-consultant expenditures incurred in connection with the provision of training and workshops (including community focus groups), including training institution fees, logistics, materials, and the reasonable cost of travel and per diem of trainers and trainees; and

(b) the term “operating costs” means the incremental costs related to the Project, including: (i) office expenses, including office rent under the Project; (ii) operation, hiring and maintenance of vehicles; (iii) salaries of the PMU and Project related contractual health staff; (iv) operation and maintenance of equipment and other goods purchased under the Project; (v) leasing of common hospital waste treatment facilities; and (vi) Project related domestic travel, including per diem.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 15,000,000 equivalent may be made for payments made prior to this date but on or after October 30, 2009 for Eligible Expenditures.
2. The Closing Date is September 30, 2013.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing October 15, 2020 to and including April 15, 2030	1.25%
commencing October 15, 2030 to and including April 15, 2045	2.50%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

**APPENDIX****Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Cooperation Agreement” means the agreement to be entered into between Tamil Nadu and TNMSC in accordance with the provisions of Section I.D.1(a) of the Schedule to the Project Agreement.
5. “EMP” means Tamil Nadu’s Environmental Management Plan, dated August 30, 2004, governing all environmental aspects of Project implementation, including: (a) a Health Care Waste Management Action Plan designed to provide a detailed blueprint for the environmentally sound management of hospital waste from health-care facilities; and (b) a set of construction guidelines and mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate any adverse environmental impacts under the Project, as said framework may be updated from time to time by agreement between the Association and Recipient.
6. “Financial Management Manual” means Tamil Nadu’s Financial Management Manual which provides for Tamil Nadu’s financial management obligations under the Project, as such manual may be amended from time to time by agreement between the Association and the Recipient.
7. “GAAP” means the Recipient’s Governance and Accountability Action Plan set forth as Annex 3 of the Project Implementation Plan (as hereinafter defined), which identifies key governance issues and sets forth mitigation measures to address said issues in respect of the carrying out of Project activities, as said Plan may be amended from time to time with the concurrence of the Association.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
9. “IUFRR” means Interim Unaudited Financial Report, a report prepared by Tamil Nadu and submitted periodically to the Association which reflects all Project

activities, financing, and expenditures, which report may be used to support disbursement requests under the Project.

10. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
11. “NGO” means Non Governmental Organization, a legal entity determined by the Recipient and the Association as capable of assisting in the fulfillment of the objectives of the Project.
12. “Original Credit Agreement” means the development credit agreement for the Tamil Nadu Health Systems Project entered into between the Recipient and the Association, dated January 5, 2005 (Credit No.4018-IN).
13. “Original Project” means the Project described in the Original Credit Agreement.
14. “Private-Public Partnership Cell” means the cell established under the Original Project and operating within the PMU (as hereinafter defined) for the purpose of overseeing all public private activities under the Project.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means Tamil Nadu’s procurement plan for the Project, dated April 1, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Project Implementation Plan” or “PIP” means Tamil Nadu’s plan for the implementation of the Project, dated August 18, 2004 (as amended on April 1, 2010), as said plan may be amended from time to time by agreement between the Association and the Recipient.
18. “Project Management Unit” or “PMU” means the unit established under the Original Project and operating within Tamil Nadu’s Department of Health and Family Welfare and related District Project Management Units, established for the purposes of assisting Tamil Nadu in implementing and supervising the Project, and coordinating the activities there under.
19. “Strategic Planning Cell” means the cell established under the Original Project and operating within the PMU for the purposes of developing and assisting health policy and planning in Tamil Nadu.



20. "TNMSC" means Tamil Nadu Medical Services Corporation, owned by Tamil Nadu and incorporated under the Recipient's Companies Act 1956.
21. "Tribal Development Plan" means Tamil Nadu's Tribal Development Plan for the Project, dated May 27, 2004 which is designed to address the specific health needs of tribal people under the Project, and such Tribal Development Plan as may be amended from time to time by agreement between the Association and Tamil Nadu.