

**CONFORMED COPY**

**LOAN NUMBER 7105-BR**

# **Loan Agreement**

**(Family Health Extension Project)**

**between**

**FEDERATIVE REPUBLIC OF BRAZIL**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 26, 2002**

## LOAN NUMBER 7105-BR

### LOAN AGREEMENT

AGREEMENT, dated September 26, 2002, between the FEDERATIVE REPUBLIC OF BRAZIL (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter dated January 29, 2002 which describes the Borrower's policies and strategies (the Program) with respect to the public health sector in Brazil;

(B) the Borrower has requested that the Bank support the Program through a series of loans to the Borrower over a period of approximately seven years;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), which Project, expected to be concluded within three years, forms part of the first phase of the Program, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower, in support of the first phase of the Program, upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

### ARTICLE I

#### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999, with the modification set forth below (the General Conditions), constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”

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

(a) “Basic Care and Family Health Conversion Subproject” or “Conversion Subproject” means a subproject consisting of a Conversion Plan and a set of activities of the Family Health Program and the Basic Health Care Program to be carried out by the Family Health Teams in an Eligible Municipality under Part A of the Project in accordance with the provisions of this Agreement and the terms of the Conversion Subproject Implementation Agreement;

(b) “Basic Health Care Program” means the program set forth in article 1.2 and annexes 1 and 2 of NOAS-SUS 01/2001 and articles 9 and 12.1.1 of NOB-SUS 01/1996;

(c) “Conversion Plan” means a plan for the transformation of the existing model of delivery of primary health care services to a proactive-outreach model of delivery of such services proposed by an Eligible Municipality and approved by MOH in accordance with the provisions of the Operational Manual;

(d) “Conversion Subproject Implementation Agreement” means any of the agreements referred to in Section 3.01 (c) of this Agreement;

(e) “Conversion Subproject Transfers” means the amount transferred by the Borrower through the MOH’s Fund to an Eligible Municipality as an advance to cover the costs of goods, works, services, incremental operating costs and non-incremental operating costs required for the implementation of the Conversion Subprojects;

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

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

(h) “Eligible Municipality” means any of the municipalities with 100,000 or more inhabitants eligible for participating in Part A of the Project in accordance with the requirements of the Operational Manual;

(i) “Family Health Program” means the program set forth in article 12.1.2 of NOB-SUS 01/1996 and in MOH’s regulation (*Portaria*) no. 1886 of December 18, 1997;

(j) “Family Health Teams” means the health professionals and other health workers selected for implementation of the Family Health Program;

(k) “Fiscal Year” means the Borrower’s fiscal year which commences January 1;

(l) “Group 1 Municipality” means an Eligible Municipality rated by MOH as posing a low risk of non-compliance with the procurement requirements of the Conversion Subproject;

(m) “Group 2 Municipality” means an Eligible Municipality rated by MOH as posing a medium risk of non-compliance with the procurement requirements of the Conversion Subproject;

(n) “Group 3 Municipality” means an Eligible Municipality rated by MOH as posing a high risk of non-compliance with the procurement requirements of the Conversion Subproject;

(o) “ICB Goods” means the goods specified in the Conversion Subproject Implementation Agreement for procurement following the international competitive bidding procedures referred to in Schedule 4, Section I, Part B.1 of this Agreement;

(p) “Model Conversion Subproject Implementation Agreement” means the model Conversion Subproject Implementation Agreement set forth in the Operational Manual;

(q) “MOH” means *Ministério da Saúde*, the Borrower’s Ministry of Health;

(r) “MOH’s Fund” means *Fundo Nacional de Saúde*, the fund operating in accordance with the Borrower’s Decree No. 3964 of October 10, 2001;

(s) “NOAS-SUS 01-2001” means *Norma Operacional da Assistência à Saúde (Portaria No. 95/GM)* dated January 26, 2001;

(t) “NOB-SUS 01/1996” means *Norma Operacional Básica do Sistema Único de Saúde*, the Borrower’s health regulation published in the Official Gazette dated November 6, 1996;

(u) “Official Gazette” means the Borrower’s official gazette;

(v) “Operational Manual” means the manual referred to in Section 3.03 of this Agreement;

(w) “PCU” means the Project coordination unit referred to in Section 3.01 (b) of this Agreement;

(x) “Performance Indicators” means the indicators set forth in a letter from the Borrower to the Bank dated January 25, 2002;

(y) “Procurement Law” means the Borrower’s procurement law, Law No. 8666 published in the Official Gazette on June 21, 1993 as amended to the date of this Agreement, Law 10191 of February 14, 2001 and the provisory measure 2.182-18, of August 23, 2001;

(z) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(aa) “QCBS Consultants” means the consultants specified in the Conversion Subproject Implementation Agreement for contracting following the quality and cost-based selection procedures referred to in Schedule 4, Section IV, Part B.1 of this Agreement;

(bb) “Research Entity” means an entity qualified to manage research, proposed by the Borrower and approved by the Bank, to assist in the implementation of Part C.4 of the Project;

(cc) “Research Entity Agreement” means the agreement referred to in Section 3.01 (e) of this Agreement;

(dd) “Research Subproject” means any of the research activities described in Part C. 4 of the Project proposed by MOH and approved by the Bank;

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

(ff) “SUS” means *Sistema Único de Saúde*, the Borrower’s health system integrating federal, state and municipal delivery systems referred to in Article 198 paragraph 1 and Article 200 of the Borrower’s Constitution.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to sixty-eight million dollars (\$68,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works, services and Conversion Subproject Transfers required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be December 31, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to, but not including, the fourth anniversary of such date; and (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project and, to this end, shall carry out the Project, through MOH (with the assistance of the Eligible Municipalities, in respect of Part A of the Project, as well as with the assistance of the Research Entity with regard to Part C.4 of the Project), with due diligence and efficiency and in conformity with appropriate health, economic, technical, administrative, financial, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall operate and maintain, during the implementation of the Project, a Project coordination unit (PCU) with functions and responsibilities

satisfactory to the Bank, at all times headed by a Project coordinator and assisted by staff in adequate numbers, all with qualifications and experience acceptable to the Bank.

(c) The Borrower shall, through MOH, enter into an agreement with each Eligible Municipality under terms and conditions satisfactory to the Bank, substantially in accordance with the terms of the Model Conversion Subproject Implementation Agreement, setting forth, *inter alia*, in respect of each Conversion Subproject:

- (i) The Eligible Municipality's obligation:
  - (A) to carry out the Conversion Subproject and to meet the performance benchmarks related thereto;
  - (B) to procure the goods, works and services in accordance with:
    - (I) the requirements of this Agreement; and
    - (II) the contracting procedures and schedule specified in the procurement plan for all goods, works and services, including all the ICB Goods and QCBS Consultants (which plan shall form part of the Conversion Subproject Implementation Agreement);
  - (C) to keep records and accounts for the expenditures financed under the Conversion Subproject;
  - (D) to utilize the proceeds of the Conversion Subproject Transfers and provide information to MOH on the use thereof in accordance with the procedures set forth in the Operational Manual; and
  - (E) to enable the Bank to review the Eligible Municipality's accounts and other information as the Bank shall reasonably request in respect of the Conversion Subproject, the Basic Health Care Program and the Family Health Program;
- (ii) the schedule of disbursements, by MOH to the Eligible Municipality, of the Conversion Subproject Transfers;



- (iii) the technical, financial and procurement requirements:
    - (A) for the implementation of the Conversion Subproject, the Basic Health Care Program and the Family Health Program; and
    - (B) to qualify for continued participation in the Basic Health Care Program and Family Health Program in years subsequent to the term of the relevant Conversion Subproject Implementation Agreement;
  - (iv) the requirements for auditing the Conversion Subprojects and expenditures under the Basic Health Care Program and the Family Health Program;
  - (v) the procurement review requirements applicable to Group 3 Municipalities for the Conversion Subproject and the Basic Health Care Program and the Family Health Program;
  - (vi) MOH's right to suspend disbursements, or cancel amounts to be disbursed, as the case may be, in the event of non compliance by the Eligible Municipality with the obligations set forth in the Conversion Subproject Implementation Agreement; and
  - (vii) a list of the groups of Eligible Municipality expenditures that are eligible for financing by proceeds of the Loan.
- (d) The Borrower shall, through the MOH's Fund, disburse to each Eligible Municipality's health fund, the Conversion Subproject Transfers in accordance with the provisions of this Agreement.
- (e) The Borrower shall, through MOH, enter into an agreement with the Research Entity, under terms and conditions satisfactory to the Bank, setting forth, *inter alia*, the Research Entity's obligation to carry out Part C.4 of the Project.
- (f) The Borrower shall exercise its rights and carry out its obligations under the Research Entity Agreement and each of the Conversion Subproject Implementation Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, suspend, waive, terminate or fail to

enforce the Research Entity Agreement or any Conversion Subproject Implementation Agreement.

Section 3.02. (a) Except as the Bank 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 Loan, as well as those to be financed by the MOH's Fund disbursements for Conversion Subproject Transfers under Conversion Subproject Implementation Agreements, shall be governed by the provisions of Schedule 4 to this Agreement.

(b) Without prejudice to the provisions of Section 6.03 (d) of the General Conditions (and as a supplement to the terms of paragraph 1.13 of the Guidelines referred to in Schedule 4 to this Agreement and paragraph 1.18 of the Consultant Guidelines also referred to in said Schedule), if, at any time, the Bank determines that the procurement of any contract to be financed by the MOH's Fund disbursements for Conversion Subproject Transfers under Conversion Subproject Implementation Agreements is inconsistent with the procedures set forth or referred to in this Agreement, the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to thirty percent (30%) of the amount of expenditures in respect of such contract. Upon the giving of such notice, such amount of the Loan shall be cancelled.

Section 3.03. The Borrower shall carry out the Project in accordance with an operational manual, satisfactory to the Bank, said manual to include, *inter alia*:

(a) the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement and financial requirements thereof, such as a procurement plan model and criteria for financial management and procurement assessment of municipalities and correspondent financial and procurement management risk level classification of such municipalities);

(b) the criteria for the approval, implementation and monitoring of Conversion Subprojects, including the Conversion Plans thereof; and

(c) a model agreement for implementation of Conversion Subprojects.

In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.04. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than twelve months after the Effective Date and yearly thereafter during the period of Project implementation, a report integrating the results of the evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such 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) (i) review with the Bank, within no more than two months after such report's preparation, the report referred to in paragraph (b) of this Section; and

(ii) 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 reports and the Bank's views on the matter.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall:
- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
  - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Project Management Reports or statements of expenditure (including statements of transfer as cited in paragraph 4 (d) of Part A of Schedule 1 to this Agreement), the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether (I) the Project Management Reports or statements of expenditure or statements of transfer; and (II) the documents

and other evidence referred to in paragraph 3 (c) of Part A of Schedule 1 to this Agreement submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter, a Project management report for such period, which:

(a) (i) 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 (ii) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

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

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

## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01. (a) Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that any Eligible Municipality shall have failed to perform any of its obligations under the Conversion Subproject Implementation Agreement, and MOH shall have failed to exercise its remedies under such Implementation Agreements.

(b) Notwithstanding the rights contained in Section 6.02 of the General Conditions, it is understood that, if any of the events specified in paragraph (a) of this Section shall have occurred, the Bank may, by notice to the Borrower, suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account for expenditures under the concerned Conversion Subproject Implementation Agreement.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Borrower has adopted the Operational Manual; and
- (b) the Borrower has strengthened the financial management system referred to in Section 4.01 of this Agreement in a manner satisfactory to the Bank (including in particular that the Borrower has furnished to the Bank terms of reference satisfactory to the Bank for the audits to be carried out under Section 4.01 of this Agreement).

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely that the Loan provided for in this Agreement has been duly registered by the Borrower's Central Bank.

Section 6.03. The date December 26, 2002, 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 Minister of Finance of the Borrower is 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:

Ministério da Fazenda  
Procuradoria Geral da Fazenda Nacional  
Esplanada dos Ministérios, Bloco "P" - 8º andar  
70048-900 Brasília, DF  
Brazil

Facsimile: 55-61-226-2502

With copy to MOH:

Ministério da Saúde  
Secretaria de Políticas da Saúde  
Esplanada dos Ministérios, Bloco "G" - 7º Andar  
70058-900 Brasília DF  
Brazil

Facsimile: 55-61-226-4340

With copy to:

SEAIN - Secretaria de Assuntos Internacionais do  
Ministério do Planejamento, Orçamento e Gestão  
Esplanada dos Ministérios - Bloco "K" - 5º Andar  
70040-906 Brasília, DF  
Brazil

Facsimile: 55 61 225-4022

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD 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 the District of Columbia, United States of America, as of the day and year first above written.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Pedro S. Malan

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ James D. Wolfensohn

President



**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan**

A. General

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods for Parts B, C and D of the Project (other than for Research Subprojects)	3,420,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 90% of other local expenditures
(2) Consultants' services and training for Parts B, C and D of the Project (other than for Research Subprojects)	31,473,000	100% of foreign expenditures; and 90% of local expenditures
(3) Conversion Subprojects		
(a) Conversion Subproject Transfers disbursed by MOH's Fund under each Conversion Subproject Implementation Agreement	17,080,000	30%
(b) ICB Goods	6,300,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(c) QCBS Consultants	200,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(4) Consultant and other services required for Research Subprojects	2,727,000	100%
(5) Incremental operating costs	450,000	50%
(6) Front end fee	680,000	Amount due under Section 2.04 of this Agreement
(7) Unallocated	<u>5,670,000</u>	
TOTAL	<u>68,000,000</u>	

2. For the purposes of this Schedule:

(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 or for goods or services supplied from the territory of the Borrower;

(c) the term “training” means expenditures (other than for consultants’ services) incurred in connection with the provision of training under Parts B, C, and D of the Project, including the reasonable travel cost and per-diem of the trainees; and

(d) the term “incremental operating costs” means costs incurred by the PCU for utilities, maintenance and consumable office supplies that would not have been incurred absent the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals (other than under Category (3) set forth in the table in paragraph 1

of this Part A), in an aggregate amount not exceeding \$4,000,000, may be made on account of payments made for expenditures incurred within twelve months before that date (but in no case incurred before November 13, 2001);

(b) payments covered by Category (3) set forth in the table in paragraph 1 of this Part A, unless:

- (i) the regulation setting forth the requirements for the implementation and financing of Conversion Subprojects have been issued by MOH; and
- (ii) the respective Conversion Subproject Implementation Agreement has been entered into with the Eligible Municipality;

(c) payments covered by Subcategory (3) (a) set forth in the table in paragraph 1 of this Part A, in the event the Borrower shall have failed to furnish to the Bank by a date six months after the end of each Fiscal Year, together with the audits referred to in Section 4.01 (c) (iv) of this Agreement, such documents and other evidence showing, to the satisfaction of the Bank, that at least 30% of the amounts disbursed by the MOH's Fund and covered by Subcategory (3) (a) set forth in the table in paragraph 1 of this Part A were used for goods, works, services and incremental operating costs, eligible for financing out of the proceeds of the Loan as confirmed by such audit report; and

(d) payments made for Research Subprojects unless the Research Entity Agreement has been entered into by the parties thereto.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures, all under such terms and conditions as the Bank shall specify by notice to the Borrower:

(a) for goods for Parts A, B and C of the Project under contracts not exceeding the equivalent of \$350,000 per contract;

(b) for services of individual consultants for Parts A, B and C of the Project under contracts not exceeding \$50,000 equivalent per contract;

(c) for services of consulting firms for Parts A, B and C of the Project under contracts not exceeding \$100,000 equivalent per contract;

(d) training and incremental operating costs; and

(e) for Conversion Subproject Transfers (in which case the statements of expenditure shall be referred to as statements of transfer).

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in a commercial bank satisfactory to the Bank, on terms and conditions satisfactory to the Bank, including protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02 of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports

required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank 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 Bank 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 Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank 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 Bank 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 Bank (including, for example, the documents and other evidence referred to in paragraph 3 (c) of Part A of this Schedule), the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposits by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawals or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not Made  
On the Basis of Project Management Reports**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equal to \$6,800,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to \$1,500,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed \$20,000,000.

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 Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Made  
On the Basis of Project Management Reports**

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank 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 Bank from the Loan Account under one or more of the Special Account's Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed \$13,600,000.



## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) increase coverage of basic health services in Eligible Municipalities, especially among populations with limited access to, and utilization of health care; and (b) improve the quality of family health service provision and the performance and effectiveness of basic care services in the Borrower's territory.

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

#### Part A: Conversion Subprojects

1. Carrying out of Basic Care and Family Health Conversion Subprojects (Conversion Subprojects) in Eligible Municipalities, including a set of activities (the Conversion Plans) consisting of, *inter alia*, the following:

(a) Organization, supervision and provision of family health extension and basic care services.

(b) For institutional modernization:

- (i) development and implementation of: (A) performance-based management systems; (B) instruments, policies and regulations for contracting and human resources management; and (C) evaluation of user satisfaction and community participation;
- (ii) preparation of investment plans and projects to be carried out by the Eligible Municipality;
- (iii) development and implementation of maternal and child referral/counter-referral systems for maternal and child health, aiming to link Family Health Teams in an integrated referral network;
- (iv) development, implementation and dissemination of new health care practices and protocols; and

- (v) carrying out of selected studies to support implementation of the Family Health Program at the municipal level.
- (c) For upgrading of health services extension:
  - (i) establishment, strengthening, and reinforcing the family health networks of the Eligible Municipality; and
  - (ii) upgrading and equipping the health facilities used by the Family Health Teams to support their tasks, including the remodeling of health centers and polyclinics and the procurement of medical and non-medical equipment (including basic communications equipment), furniture and vehicles.
- (d) For strengthening of information systems:
  - (i) development and upgrading of information systems of the Eligible Municipality to manage data related to the work process and results of Family Health Teams; and
  - (ii) development of an information system to support various levels of the health services network, including, *inter alia*, the organization of clinical consultations, inpatient stays, and laboratory exams.
- (e) For strengthening of the capacity of the Family Health Teams of the Eligible Municipality:
  - (i) development and implementation of training courses for members of Family Health Teams; and
  - (ii) formation of interdisciplinary groups for supervision of the Family Health Teams.

Part B: Human Resource Development

1. Development and/or strengthening of the Borrower's training and continuing education programs for professionals on family health, in the following thematic areas:

- (a) planning, organization and management of health services;

(b) clinical practices such as urgent and emergency care; care protocols; respectful care during delivery; child, women's and adult health; dental health; integrated family health, and clinical management;

(c) public health such as epidemiological surveillance; health education and promotion; and care for individuals facing violence; and

(d) management of medical waste in basic care units.

2. Development and implementation of the Borrower's pre-service training programs in the following areas:

(a) management of the work organization, processes, work and provision of interventions foreseen by the model;

(b) specialized medical and nursing training as required for delivery of the Family Health Program;

(c) residencies (multi-professional post-graduate level) dedicated to family health subjects, and

(d) development of skills required by community health agents and dental hygiene assistants.

3. Creation and development of management capacity for a network of training institutions consisting of a main training institution in a geographic area, which will provide technical assistance, training and materials to smaller training institutions in the same geographic area network.

4. Creation of about ten demonstration projects in medical and nursing schools to develop and implement new or improved curricula in family health subjects, and/or innovative pedagogic methodologies to support Family Health Teams.

#### Part C: Monitoring and Evaluation

1. Consolidation and standardization of monitoring systems and instruments for basic care and family health care including, *inter alia*:

(a) strengthening of the monitoring systems for the Family Health Program and for gauging compliance with MOH-state-municipal agreements to monitor performance;

(b) incorporation of measures to evaluate the performance of Family Health Teams into municipal monitoring systems;

(c) creation, expansion and strengthening of approximately 5 regional centers which will provide technical support for state and municipal authorities responsible for collecting and synthesizing health system data, and for overseeing the performance of the Family Health Program;

(d) incorporation of new information technologies in support of Family Health Program monitoring; and

(e) development of integrated data systems to support the performance, monitoring and evaluation of the Family Health Program, including the reformulation of the existing systems.

2. Development of evaluation methodologies and instruments to measure:

(a) the acquisition and application of skills by individuals trained under Part B of the Project;

(b) the impact of training networks, demonstration projects and other activities included in Part B.3 of the Project; and

(c) the impact on Family Health Teams.

3. Development of an accreditation framework for teams delivering the Family Health Program and the training centers for the Family Health Program including, *inter alia*:

(a) development and testing of a regulatory framework and complete set of methods, instruments and processes for accreditation of health units delivering family health services, and of training institutions dealing with family health;

(b) assessment and selection of institutions to conduct such accreditation;  
and

(c) gradual implementation of systems for the accreditation of such units and training institutions

4. Carrying out of research activities by: (a) professionals, and graduate and post graduate students; or (b) a team of collaborators and staff, related, *inter alia*, to the development and performance of the Family Health Program, the decentralization of the SUS, human resource issues in the health sector, and efficiency and effectiveness of the Family Health Program (Research Subprojects) and carrying out of symposia and workshops for presentation of the methodologies of Research Subprojects and their preliminary results.

Part D: Project Management

Establishment and operation of the PCU, and carrying out of technical, financial and procurement reviews of the Conversion Subprojects, Basic Health Care and Family Health Program activities under the Project.

\* \* \*

The Project is expected to be completed by June 30, 2005.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
On each January 15 and July 15 Beginning July 15, 2007 through January 15, 2017	5%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable

on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## **SCHEDULE 4**

### **Procurement**

Section I. Procurement of Goods and Works for Part A of the Project (Conversion Subprojects)

Part A: General

ICB Goods 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 Section I of this Schedule.

Part B: International Competitive Bidding

1. ICB 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 ICB 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 shall be grouped in bid packages estimated to cost \$350,000 equivalent or more each respectively.

(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

Goods (other than ICB Goods) and works estimated to cost less than: \$400,000 equivalent per contract for Conversion Subprojects to be carried out by Group 1 Municipalities; \$350,000 equivalent per contract for Conversion Subprojects to be carried out by Group 2 Municipalities; and \$250,000 equivalent per contract for Conversion Subprojects to be carried out by Group 3 Municipalities, shall be procured in accordance



with the Procurement Law, the procurement plan set forth in the Conversion Subproject Implementation Agreement, and the following provisions:

(a) in competitive bidding procedures, contracts shall be awarded to the lowest evaluated bidder, and the lowest bidder should not be disqualified without sound reasons therefor;

(b) records and information pertaining to the bidding and award of contracts shall be maintained by the Eligible Municipality;

(c) the prior non-objection of the Bank shall be required for all deviations from the procurement plan set forth in the Conversion Subproject Implementation Agreement; and

(d) the Eligible Municipality shall enable the carrying out of reviews of its procurement actions.

## Section II. Procurement of Goods for Parts B, C and D of the Project

### Part A: General

Goods for Part B, C and D of the Project 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 Section II of this Schedule.

### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods for Parts B, C and D of the Project 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 for Parts B, C and D 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 shall be grouped in bid packages estimated to cost \$350,000 equivalent or more each respectively.

(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

Goods estimated to cost less than \$350,000 equivalent per contract, up to an aggregate amount not to exceed \$750,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, using standard bidding documents satisfactory to the Bank, and the following special provisions:

(a) Contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and, whenever appropriate, to also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

(b) Whenever required by the Bank, the invitation to bid shall be advertised for at least three consecutive days in a newspaper of wide circulation in Brazil.

(c) The arrangements, under the invitation to bid, for a joint-venture (*consórcio*) of Brazilian and foreign firms shall be approved in advance by the Bank in each case.

(d) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.

(e) The purchaser shall not, without the Bank's prior approval, issue any change order under a contract which would increase or decrease by more than 15% the quantity of goods (and related services) without any change in the unit prices or other terms and conditions of sale.

2. Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Section III. Review by the Bank 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 Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines (provided, however, that the procurement plan for the Conversion Subprojects shall be presented with the Conversion Subproject Implementation Agreement). Procurement of all goods and works shall be undertaken in accordance with such procurement plans as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to:

(a) each ICB Goods contract; and

(b) each contract procured in accordance with the procedures referred to in Part B.1 of Section II hereof,

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 IV. Employment of Consultants for Part A of the Project (Conversion Subprojects)

Part A: General

QCBS Consultants and other consultants' services for Conversion Subprojects 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 (the Consultant Guidelines).

Part B: QCBS Consultants' Selection

1. QCBS 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 Consultants' Services

1. Single Source Selection

Services for assignments which are estimated to cost less than \$100,000 equivalent per contract, may, with the Bank's prior agreement of the procurement plan in which they are specified be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Service Delivery Contractors

Services to be provided by members of the Family Health Teams shall be procured in accordance with procedures acceptable to the Bank.

3. Individual Consultants

Services for assignments estimated to cost less than \$50,000 equivalent per contract 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.

Section V. Employment of Consultants for Parts B, C and D of the Project

Part A: General

Consultants' services for Parts B, C and D of the Project 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 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 for Parts B, C and D of the Project 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 provision 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 for the Project, 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. Quality-based Selection

Services for research and evaluation under Part C of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Services of training and education institutions under Part B of the Project which are estimated to cost less than \$250,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Specialized advisory services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines and not exceeding in the aggregate \$3,500,000 equivalent, shall be procured under contracts awarded to individual consultants selected by comparison of qualifications of at least three candidates and employed in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Section VI. Review by the Bank 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 Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines provided however that the procurement plan for Conversion Subprojects will be presented with the Conversion Subproject Implementation Agreements. Selection of all consultants' services shall be undertaken in accordance with such selection plans as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms procured in accordance with the procedures set forth in Section V Part B.1 of this Schedule and estimated to cost the equivalent of \$200,000 or more, and all QCBS Consultants' Contracts, 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 procured in accordance with the procedures set forth in Section V Part B.1 of this Schedule and estimated to cost the equivalent of \$100,000 or more, but less than the

equivalent of \$200,000, and all QCBS Consultants' Contracts, 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 procured in accordance with the procedures set forth in Section V Part C.3 of this Schedule and 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 Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for the employment of individual consultants procured in accordance with the procedures set forth in Section V Part C.3 of this Schedule and estimated to cost less than the equivalent of \$50,000, the terms of reference of the consultants shall be furnished to the Bank 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.