

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4126 ZA

Financing Agreement

(Malaria Booster Project)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 12, 2005

Public Disclosure Authorized

CREDIT NUMBER 4126 ZA

FINANCING AGREEMENT

AGREEMENT, dated December 12, 2005, between REPUBLIC OF ZAMBIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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 the Financing 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 thirteen million seven hundred thousand Special Drawing Rights (SDR 13,700,000) (“Credit”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with 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 and of the Program. To this end, the Recipient shall carry out the Project through its Ministry of Health, in accordance with the provisions of Article IV of the General Conditions.

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 is that the Program, or a significant part thereof, has been amended, suspended, abrogated, repealed or waived, at the instance of the Recipient, so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 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 is that the existing MoH Operations Guidelines have been modified satisfactory to the Association in conformity with the requirements set forth or referred to this Agreement.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under Articles IV and V of the General Conditions and Schedule 2 to this Agreement shall terminate is 6 years after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance.

The Recipient's Address is:

Ministry of Finance
and National Planning
PO Box 50062
Lusaka, Zambia

Cable address:	Telex:	Facsimile:
MINFIN	42221	253494
Lusaka		251078

The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	

AGREED at Lusaka in the Republic of Zambia, as of the day and year first above written.

REPUBLIC OF ZAMBIA

By /s/ Felix Mutati

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hartwig Schafer

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to, and use of, interventions for malaria prevention and treatment by the population of Zambia, within the context of the Recipient's National Malaria Control Program (the Program).

The Project consists of the following parts:

Part 1 (a). Strengthening the Health System to Improve Service Delivery

Provision by MoH of: (i) additional support, under District Basket Sub-Grants, to the administrative Districts of the Recipient, through allocations out of the Common District Basket Account, to enable District-level health management teams (DHMT's) to improve their malaria service delivery and expand coverage of malaria interventions, by acquiring and placing in service, *inter alia*, Insecticide Treated Nets (ITNs), Indoor Residual Spraying (IRS) with insecticide and spray pumps, Rapid Diagnostic Tests (RDTs), and other laboratory equipment; (ii) support for case management; (iii) support for increased intermittent presumptive treatment and the training of microscopists and other front-line health workers in the use of RDTs; (iv) expansion of the Community-Based Malaria Control Program (CBMPCP); (v) support for strengthening front-line human resource capacity; and (vi) support for mainstreaming of malaria-related activities into the work programs of the relevant ministries and government departments of the Recipient, the private sector and large NGOs.

Part 1 (b). Improved Environmental Health Management

Provision of technical assistance to MoH to: (i) improve the management of health care waste associated with malaria control and the environmental monitoring for impact of insecticide use; and (ii) address the weaknesses identified in the WHO assessment of the vector management program in Zambia and outlined in the Vector Management Action Plan.

Part 2: Community Booster Response to Malaria (COMBOR)

Provision of support to strengthen local capacities of communities to effectively prevent, control and treat malaria and deal with the demand-side constraints to effective malaria control programming, based on community demand-driven interventions through: (i) financing on a grant basis ("Community Sub-Grants") of selected projects to be carried out by community-based organizations; and (ii) facilitation of interventions to be implemented by communities.

Part 3. Program Management

Provision of technical assistance (consisting of consultants' services, goods, training and incremental operating costs) to: (i) strengthen the ability of the National Malaria Control Centre to provide technical leadership for the Program, and coordinate and implement the Program; (ii) build human resource capacity and institutional capacity of MoH for procurement and financial management; and (iii) conduct monitoring and evaluation of the Program, including support for establishment of a Program monitoring and evaluation system, specific studies for data gathering, analysis and dissemination including knowledge management.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. Project Implementation Framework. The Recipient shall implement the Project or cause the Project to be implemented in accordance with the Project Implementation Framework, and except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Framework, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objective thereof.

2. Annual Work Plan and Budget. The Recipient shall, by September 30 of each year during the implementation of the Project, furnish for approval by the Association a draft annual work plan and budget for the following calendar year, in a scope and format satisfactory to the Association, covering the portion of the Program to be financed by the proceeds of the Credit.

3. National Health Care Waste Management Plan and Vector Management Action Plan. The Recipient shall take all appropriate measures to ensure that the National Health Care Waste Management Plan and the Vector Management Action Plan are carried out in accordance with a timetable acceptable to the Association.

4. District Basket

(a) The Recipient shall ensure that, except as the Association shall otherwise agree, District Basket Sub-Grants are granted out of the Joint District Basket Account to the participating Districts in accordance with eligibility criteria, procedures and on terms and conditions and other provisions set forth or referred to in the Project Implementation Framework.

(b) The Recipient shall maintain arrangements with each participating District ensuring that: (i) the proceeds of the District Basket Sub-Grant are used for qualifying District-level activities in accordance with the provisions of the MoH Operations Guidelines; (ii) the relevant District-level activities are carried out with due diligence and efficiency and in accordance with appropriate technical, financial, environmental and managerial standards; and (iii) each participating District maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the District Basket.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare semiannual Project Reports and Project Annual Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Annual Report shall cover the period from January 1 through December 31, and shall be furnished to the Association not later than forty-five days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Increase the percentage of children under 5 years of age who sleep under a treated bed net from 30% to 40% by 2008;

(ii) Increase the percentage of pregnant women who receive a complete course of intermittent presumptive treatment for malaria from 45% to 55% by 2008; and

(iii) Increase the percentage of people in IRS-eligible districts areas who sleep in appropriately sprayed structures from 40% to 60% by 2008.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than July 31, 2011.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained 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 prepare and furnish to the Association as part of the semiannual Project Reports, not later than 45 days after the end of each semester, interim un-audited financial reports for the Project covering the previous semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Credit was made. The audited Financial

Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works 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 Schedule.

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 Schedule.

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 and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

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 and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods

- (a) National Competitive Bidding.
- (b) Direct Contracting.
- (c) Limited International Bidding.
- (d) Community Participation.

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.

Procurement Methods

- (a) Single Source Selection.
- (b) Individual Consultants.
- (c) Selection Based on Consultants' Qualifications.
- (d) Use of Nongovernmental Organizations.

D. Review by the Association of Procurement Decisions

1. 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 Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, 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 Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, consultants' services, training, and operating costs for the Project	5,460,000	100 %
(2) District Basket Sub-Grants	2,050,000	100%
(3) Community Sub-Grants	1,360,000	100%
(4) Unallocated	4,830,000	
TOTAL AMOUNT	13,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 137,000 may be made for payments made prior to this date but on or after September 30, 2005, for Eligible Expenditures under Category (1);

(b) for payments under any District Basket Sub-Grant under Category (2), unless:
(i) the performance monitoring system applicable to such District-level activities, shall have been approved by MoH and duly incorporated in the MoH Operations Guidelines, satisfactory to the Association; and (ii) the District Basket Sub-Grant has been made in accordance with eligibility criteria, and on terms and conditions set forth or referred to in the MoH Operations Guidelines and the provisions of Schedule 2 to this Agreement; and

(c) for payments under any Community Sub-Grant under Category (3), unless the Community Sub-Grant has been made in accordance with eligibility criteria, and on terms and conditions set forth or referred to in the MoH Operations Guidelines and the provisions of Schedule 2 to this Agreement.

2. The Closing Date is January 31, 2010.

Section V. Other Undertakings

The Recipient shall, during the implementation of the Project:

- Maintain within MoH the following specialists whose qualifications and experience shall at all times be satisfactory to the Association: (i) chief accountant, (ii) chief procurement officer, and (iii) principal accountant.
- Establish and maintain (i) a procurement record management system for contract progress and expenditures at MoH; and (ii) employ a procurement technical advisor for at least one year to assist the MoH in streamlining its procurement processes.
- Maintain within the MoH a functioning (i) health management information system unit; (ii) donor coordination unit.
- Maintain the NMCC within the MoH with adequately staffing and facilities.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15: commencing February 15, 2016, to and including August 15, 2025	1%
commencing February 15, 2026, to and including August 15, 2045	2%

*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

(a) “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.

(b) “Community Sub-Grant” means a grant to a community-based organization to support the carrying out of activities to strengthen malaria interventions at the community level, made out of the proceeds of the Credit allocated to Category (3).

(c) “Community-Based Malaria Control Program” or “CBMPCP” means the program of the Recipient for a health facility-based, supply driven model of implementation of the community response to malaria.

(d) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004.

(e) “District Basket Sub-Grant” means a grant to a participating District to support the carrying out of activities to strengthen malaria interventions at the District level, made out of the proceeds of the Credit allocated to Category (2).

(f) “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.

(g) “Implementation Plan” means the National Malaria Implementation Plan adopted by MoH describing, *inter alia*, the annual work plans and budget for activities and expenditures to be financed under the Program for the period 2005-2008, and any subsequent plans to be adopted succeeding such plan during the implementation of the Program.

(h) “Joint District Basket Account” means an account which is administered by MoH for the purposes of providing funding for the implementation of the National Health Strategic Plan, and of facilitating the pooling of donor contributions to the public health administration of the Recipient for various projects and programs, pursuant to the Memorandum of Understanding signed among the MoH and 16 cooperating partner organizations, dated November 24, 1999.

(i) “MoH Operations Guidelines” means the MoH Operations Guidelines describing, *inter alia*, guidelines and policies determining which activities and types of expenditure qualify for financing under the Project, specifying the procedures to be used for procurement of goods and services and financial management, institutional framework,

implementation modalities, monitoring and evaluations, and environmental safeguards, as the same such guidelines and policies shall have been established or modified from time to time by the MoH, satisfactory to the Association, pursuant to the provisions of Section 5.01 of Article V and Section 1 of Schedule 1 of this Agreement.

- (j) “MoH” means the Recipient’s Ministry of Health.
- (k) “Monitoring and Evaluation Strategic Framework” means the framework for monitoring and evaluating National Malaria Strategic Plan for 2006-2011.
- (l) “National Health Care Strategic Plan” means the Recipients National Health Care Strategic Plan for 2006-2011, a plan of administrative actions, strategic objectives, guidelines and activities targeted at identifying and addressing the priority needs on the territory of the Recipient in the health sector, as part of its National Development Plan for 2006-2011.
- (m) “National Health Care Waste Management Plan” means the Recipient’s plan, National Health Care Waste Management Plan for 2004-2006, identifying the problem of contaminated healthcare waste, designing a series of measures for mitigation thereof and defining institutional arrangements for its implementation and any subsequent plans to be adopted succeeding such plan during the implementation of the Program.
- (n) “National Malaria Strategic Plan” or “NMSP” means the National Malaria Strategic Plan of the Recipient for 2006-2011, a plan of administrative actions, strategic objectives, guidelines and activities targeted at identifying and addressing the priority needs of the Recipient in the area of malaria control, adopted by the Recipient as part of the National Health Strategic Plan.
- (o) “NMCC” means the National Malaria Control Center, a unit of the MoH established and operating for the purposes of implementing the National Malaria Strategic Plan.
- (p) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
- (q) “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 29, 2005, 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.
- (r) “Program” means the National Malaria Control Program of the Recipient for 2006-2011, approved by the MoH as part of the National Malaria Strategic Plan.
- (s) “Project Implementation Framework” means the Project Implementation Framework, comprised of the National Malaria Strategic Plan, the National Health Care

Strategic Plan, the Implementation Plan, the MoH Operations Guidelines, and the Monitoring and Evaluation Strategic Framework, the National Health Care Waste Management Plan, and the Vector Management Action Plan, as the same such Project Implementation Framework is referred to in paragraph 1 of Section I of Schedule 2 to this Agreement.

(t) “Vector Management Action Plan” means a plan, acceptable to the Association, adopted by MoH for the purposes of implementing an integrated vector management in the use of certain substances for entomological and public health purposes in connection with the Program, as referred to in paragraph 3 of Section I of Schedule 2 of this Agreement.