

CONFORMED COPY

CREDIT NUMBER 4470-KH

Financing Agreement

(Second Health Sector Support Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Date July 17, 2008



CREDIT NUMBER 4470-KH

FINANCING AGREEMENT

AGREEMENT dated July 17, 2008, entered into between KINGDOM OF CAMBODIA (“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 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 eighteen million five hundred thousand Special Drawing Rights (SDR 18,500,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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 carry out the Project through MOH and 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 consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, can be carried out in accordance with HSP2.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Project Operational Manual has been adopted by the Recipient, in accordance with the provisions of Part B.1 of Section I of Schedule 2 to this Agreement;
 - (b) the external auditor referred to in Section 4.09(b) of the General Conditions has been duly appointed, along with a consultants' firm referred to in Part A.2 of Section I of Schedule 2 to this Agreement to assist in the implementation of the FMIP;
 - (c) the Co-financing Agreements have been executed and delivered, and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals under each of them (other than the effectiveness of this Agreement) have been fulfilled.
- 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 this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Recipient's Minister of Economy and Finance
- 6.02. The Recipient's Address is:

Ministry of Economy and Finance
92nd Street
Sangkat Wat Phnom, Khan Daun Penh
Phnom Penh
Kingdom of Cambodia

Facsimile:

(855- 23) 430-224
(855- 23) 427-798

- 6.03. 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
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Phnom Penh, Cambodia, as of the day and year first above written.

KINGDOM OF CAMBODIA

By: /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ian Porter

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the implementation of HSP2 in order to improve health outcomes through strengthening institutional capacity and mechanisms by which the Recipient and Program Partners can achieve more effective and efficient sector performance.

The Project consists of the following parts:

Part A: Strengthening Health Service Delivery

1. (a) Implementation of a program of strategic interventions for the provision of integrated packages of essential preventive, curative and promotive health services by the health centers and referral hospitals through the provision of Service Delivery Grants (“SDGs”) designed to facilitate the application of internal contracting principles within the government system, including using an institutional arrangement introduced by the Recipient in the form of special operating agencies (“Special Operating Agencies”).
- (b) Provision of a program of assistance designed to strengthen the provincial and district level health departments in the areas of planning, budgeting, financial management, contracting, performance management and monitoring, integrated supervision, and public health functions.
2. Carrying out of a program of assistance designed to improve the health service delivery network, including support for investments to address gaps identified in the HCP.

Part B: Improving Health Financing

1. Implementation of a program of assistance to improve health protection for the poor, through the provision of Health Equity Funds (“HEFs”) grants (“HEF Grants”) to Eligible NGOs to consolidate and scale up HEFs, using them to alleviate the burden imposed on the poor by user fees and other associated health care related costs.
2. Provision of technical advisory services and material support as needed to support the development of health care financing policies and institutional reforms.

Part C: Strengthening of Human Resources

Implementation of a program of assistance designed to improve human resources in the health sector, including: (a) support for, and strengthening of, training institutions, and pre- and in-service training programs, including enrollment in pre-service training in areas where significant shortfalls remain; (b) strengthening of key areas of human resource management; and (c) development and implementation of MBPI for health sector managers and key technical staff participating in the implementation of HSP2 at central and sub-national levels.

Part D: Strengthening Health System Governance

Provision of a program of assistance designed to: (a) strengthen MOH policies and regulations in critical areas identified in HSP2; (b) support capacity strengthening activities for the implementation of the policy packages in key areas of activity relevant to the health sector, including the health information strategy, and to support the Recipient's quality assurance strategies referred to in HSP2; (c) support the process of development and enforcement of regulations relevant to the health sector; (d) strengthen essential central-level functions of national programs and the respective roles of MOH departments and agencies in complementing the process of decentralization and local health system strengthening; and (e) strengthen the community participation policy framework in the health sector.

SCHEDULE 2**Project Execution****Section I. Institutional and Other Arrangements****A. Institutional Arrangements**

1. The Recipient shall establish and maintain:
 - (a) a Health Sector Steering Committee, whose mandate, membership and terms of reference shall be acceptable to the Association, to provide overall policy direction and general oversight of the Program, including review and approval of AOPs;
 - (b) a Technical Working Group – Health (“TWG-H”), whose mandate, membership and terms of reference shall be acceptable to the Association, to serve as a consultation forum among the Recipient and Program Partners, and facilitate exchange of information and policy dialogue among the parties.
2. The Recipient shall:
 - (a) designate a high-level official, having qualifications and experience acceptable to the Association, to be the Program Director and, as such, to be responsible for supervision of the overall management of the Program, including review of interim financial reports, progress reports, and audits and mission findings; endorsement of requests for funds in the form of AOPs; review of triggers, and recommendations, for the release of Pooled Account funds; and monitoring of disbursements;
 - (b) ensure that the Program Director shall be adequately supported by a Program Secretariat consisting of suitably qualified and experienced personnel in adequate numbers; and
 - (c) recruit a Financial Advisor to assist in the formulation of the Financial Management Improvement Plan (“FMIP”), and a firm of consultants to assist in the implementation of the FMIP.

B. Implementation Obligations.

1. (a) The Recipient shall prepare and adopt:
 - (i) a Project Operational Manual acceptable to the Association (“Project Operational Manual”), giving details of guidelines and

procedures agreed with the Association and other Program Partners for the implementation, supervision, and monitoring and evaluation, of the Project, including: (A) institutional and staffing arrangements; (B) reporting requirements as set forth in Part A of Section II of this Schedule 2; (C) Program Performance Indicators; (D) financial management procedures and audit procedures as set forth in Part B of Section II of this Schedule 2; (E) procurement procedures as set forth in Section III of this Schedule 2; (F) details of the Social/Environmental Management Framework; and (G) details of the Good Governance Framework;

- (ii) a SDG Operational Manual (“SDG Operational Manual”) acceptable to the Association, giving details of the guidelines and procedures governing SDGs, including the eligibility criteria to be used for the identification and selection of Eligible Beneficiaries, and the terms and conditions governing approval of Subprojects and award of SDGs;
 - (iii) a HEF Operational Manual (“HEF Operational Manual”) acceptable to the Association, giving details of the guidelines and procedures governing HEF Grants, including the eligibility criteria to be used for the identification and selection of Eligible Beneficiaries, and the terms and conditions governing approval of Subprojects and award of HEF Grants; and
 - (iv) a manual (“MBPI Manual”) acceptable to the Association, for the introduction within MOH of a merit-based performance incentive scheme (“MBPI”), designed to link pay to performance and provide incentives for enhanced performance.
- (b) The Recipient shall implement the Project in accordance with the Project Operational Manual, SDG Operational Manual, HEF Operational Manual and MBPI Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
2. The Recipient shall, in conjunction with the Association and other Program Partners, undertake annual Program-related reviews as follows, based on terms of reference acceptable to the Association and other Program Partners:
- (a) a joint annual performance review (“Joint Annual Performance Review”), to be held not later than March of every year, during which they will jointly review progress in sector performance in the light of the

Program Performance Indicators, and identify priorities for the next planning cycle; and

- (b) a joint annual operational plan and appraisal (“Joint Annual Operational Plan and Appraisal”), to be held not later than September of every year, during which AOPs for the forthcoming Fiscal Year are to be consolidated and endorsed for final approval, and each Program Partner’s proposed share in the cost of the AOP and the Pooled Account, along with the Recipient’s own counterpart contribution, shall be duly noted and recorded.
- 3. (a) The Recipient shall establish and thereafter maintain, on terms and conditions which shall be acceptable to the Association, a single non-interest bearing foreign exchange account (“Pooled Account”) with the National Bank of Cambodia or a commercial bank, as the case may be, to be managed by MOH, into which the Association and other Program Partners who elect to do so (“Pooling Partners”) shall be invited to pool their respective contributions to the cost of the Project in order to have the Project funded jointly and on a common basis, according to each Pooling Partner’s respective percentage share of the Pooled Account.
- (b) The Recipient shall conclude an agreement (“Joint Partnership Arrangement”) with Pooling Partners, on terms and conditions acceptable to both the Recipient and the Pooling Partners, giving details of the operational guidelines and modalities governing the Pooled Account, including the relevant institutional arrangements, fiduciary and capacity building provisions, assessment and monitoring requirements, disbursement arrangements, and information-sharing and conflict resolution measures.
- 4. The Recipient shall ensure that:
 - (a) proceeds of the Credit shall be used exclusively to finance Eligible Expenditures and in accordance with the respective AOP; and
 - (b) such expenditures shall be deemed to have been jointly financed by the Pooling Partners in accordance with each Pooling Partner’s previously agreed percentage share of funds in the Pooled Account.
- 5. No expenditure shall be considered eligible under the Project except to the extent that: (a) the relevant AOP has been approved by the Association; (b) the expenditure is consistent with the AOP as approved; and (c) the percentage share of the expenditure attributable to the Financing is consistent with the Association’s previously agreed percentage share of the AOP and the Pooled Account.

6. Without limitation upon its other obligations under this Agreement, the Recipient shall:
 - (a) maintain in the National Bank of Cambodia or a commercial bank, and on terms and conditions satisfactory to the Association, an advance account to be operated and maintained by MOH (“Counterpart Fund Account”), into which it shall deposit from time to time its counterpart contribution corresponding to its share of the cost of the AOP for each Fiscal Year;
 - (b) not later than thirty days after the date of the first deposit of funds into the Pooled Account, deposit into the Counterpart Fund Account an initial advance corresponding to the Recipient’s share of the approved AOP for the first two quarters of the first Fiscal Year, and thereafter replenish the Counterpart Fund Account on a quarterly basis, taking into account the opening balance in the Counterpart Fund Account and the Recipient’s share of the cost of the AOP for the next following quarter; and
 - (c) ensure that funds deposited into the Counterpart Fund Account shall be used only for the purposes of defraying the cost of expenditures incurred which are part of the AOP and consistent with the Program.
7. The Recipient shall establish a Joint Program Management Group (“Joint Program Management Group”), whose mandate, membership and terms of reference shall be acceptable to the Association, which shall meet on a quarterly basis, or more often as needed, to supervise the allocation of funds required to support activities to be financed out of the resources of the Pooled Account, review the application of such funds, and make recommendations for the release of new funds, based on satisfactory financial reports, cash forecasts and agreed triggers.
8. For purposes of Grants under the Project, the Recipient shall apply the proceeds of the Credit and Pooled Account allocated to Grants to finance Subprojects for the benefit of Eligible Beneficiaries in accordance with the guidelines, procedures and criteria set forth in the SDG Operational Manual or HEF Operational Manual, as the case may be, and the additional terms and conditions set forth in Part D of this Section.
9. (a) The Recipient shall, not later than June 30, 2011, undertake, in conjunction with the Association and other Program Partners, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and Program, and the performance by the Recipient of its obligations under this Agreement, including the progress achieved by the Recipient under the Project and Program,

having regard to the Program Performance Indicators agreed upon among the Recipient, Association and other Program Partners.

- (b) Not later than one month prior to the review, the Recipient shall furnish to the Association and other Program Partners, for comments, a report, in such detail as the Association and other Program Partners shall reasonably request, on the progress of the Project and status of the Program, and giving details of the various matters to be discussed at such review.
 - (c) Following the review, the Recipient undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project and the Program, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project and the Program.
10. Pending adoption of the SDG Operational Manual pursuant to Part B.1(c) of Section IV of Schedule 2 to this Agreement and its extension generally to all Provinces, the Recipient shall take necessary measures acceptable to the Association to avoid any interruption in service delivery or decline in service standards across Provinces, including those to which the existing process of contractual arrangements involving NGOs applies.

C. Anti-Corruption

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

D. Additional Terms and Conditions Governing Grants

- 1. No Subproject shall be eligible for financing out of the proceeds of a Grant unless the corresponding proposal for the Grant has been processed and submitted, and the review of proposal and award of Grant undertaken, in accordance with the guidelines, procedures and selection criteria set forth in the SDG Operational Manual or HEF Operational Manual, as the case may be.
- 2. No Grant shall be made to finance expenditures pertaining to or involving:
 - (a) a military or paramilitary purpose;
 - (b) civil works for government administration or religious purposes;
 - (c) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or illegal drugs;
 - (d) the manufacture or use of dynamite;
 - (e) the financing of government salaries;
 - (f) the production, processing, handling, storage or sale of

tobacco or products containing tobacco; (g) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient's agency responsible for the management and/or protection of such area; (h) mining or excavation of live coral; (i) water resources development on rivers which flow into or out of another country; (j) alterations to river courses; (k) land reclamation covering an area in excess of 50 hectares; (l) new irrigation schemes covering an area in excess of 50 hectares; (m) the construction of water retaining or storage structures of a capacity greater than 10,000 cubic meters; or (n) the provision of goods, works or services, directly or through intermediaries, by suppliers or contractors, as the case may be, who have been declared ineligible to participate in the procurement of any Bank-financed or Association-financed contract, whether indefinitely or for a stated period of time, as a result of a decision of the Bank or the Association, and in accordance with the terms of the decision.

3. Grants

- (a) Grants may be in the form of SDGs or HEF Grants.
 - (b) SDGs shall be provided out of resources provided by the Recipient's central-level authorities to PHDs, using a resource allocation formula that takes into account population and other factors, to support the scaling up of delivery of integrated packages of essential preventive and curative care at district and health center levels, and on the basis of performance agreements between the Recipient's central-level authorities and the Provinces.
 - (c) SDGs shall be linked to Service Delivery Agreements ("SDAs") to be signed between PHDs and Operational Districts ("ODs") for service delivery, setting out the service delivery standards and performance targets upon which disbursements under the SDGs are contingent.
 - (d) HEF Grants shall be provided to Eligible NGOs to consolidate and expand the coverage of health care benefits packages available to the poor, and to finance membership dues for the benefit of participants in community-based health insurance schemes who are identified as poor.
4. (a) For purposes of every Grant, a Grant Agreement shall be signed into between the Recipient and Beneficiary, setting forth the respective obligations of the parties thereunder, including: (i) the amount of the Grant, along with details of the agreed disbursement schedule;

(ii) procurement procedures consistent with Section III of Schedule 2 to this Agreement; (iii) provisions for audits of the Grant; (iv) the amount of any counterpart or matching contribution to be made by the Beneficiary from its own funds or from other sources; (v) details of the Environmental Management Plan, Land Acquisition and Resettlement Action Plan or Indigenous Peoples Plan, if any; and (vi) an undertaking on the part of the Beneficiary to execute the Subproject with due diligence and efficiency and, upon its completion, to have in place a maintenance program to ensure the continued achievement of the objectives of the Grant and any counterpart or matching contribution.

- (b) No Subproject shall be eligible for financing out of the proceeds of a Grant unless a Grant Agreement has been concluded to this effect on terms and conditions set forth in this Agreement, and the SDG Operational Manual or HEF Operational Manual, as the case may be.

E. Safeguards

1. The Recipient shall:
 - (a) implement the Project in accordance with the Social and Environmental Safeguards Framework;
 - (b) in cases of Subprojects requiring the adoption of an Environmental Management Plan, a Land Acquisition and Resettlement Action Plan or an Indigenous Peoples Plan;
 - (i) proceed to have such an Environmental Management Plan, Land Acquisition and Resettlement Action Plan or Indigenous Peoples Plan developed, approved and adopted; and
 - (ii) thereafter take such measures as shall be necessary or appropriate to comply or ensure compliance by the Beneficiaries, as the case may be, with the requirements of such Environmental Management Plan, a Land Acquisition and Resettlement Action Plan or an Indigenous Peoples Plan, as the case may be.
2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association on a semi-annual basis reports on the status of compliance with the Social and Environmental Safeguards Framework, giving details of:
 - (a) measures taken in furtherance of the Social and Environmental Safeguards Framework;

- (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Social and Environmental Safeguards Framework; and
- (c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Program 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 days (45) after the end of the period covered by such report.
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 December 31, 2014.

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. The Recipient shall prepare and furnish to the Association not later than forty-five days after the end of each calendar quarter, interim financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its interim financial reports audited quarterly on a continuous basis, and its Financial Statements audited annually in accordance with the provisions of Section 4.09(b) of the General Conditions. Each continuous audit of the interim financial reports shall cover the period of one (1) quarter. Each annual audit of the Financial Statements shall cover the period of one (1) Fiscal Year. The interim audited financial reports for each quarter shall be furnished to the Association not later than ninety (90) days after the end of the quarter. The audited Financial Statements for each Fiscal Year shall be furnished to the Association not later than six (6) months after the end of the Fiscal Year.

4. The Recipient shall appoint, under terms of reference acceptable to the Association:
 - (a) not later than three months after the Effective Date, an internal audit advisor to assist in strengthening the capacity of the internal audit department; and
 - (b) not later than six (6) months after the Effective Date, an independent auditor to carry out annual technical and performance audits.

Section III. Procurement

A. General

1. **Goods, Works and Services.** All goods, works and 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 Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Services.** 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) Limited International Bidding
(b) National Competitive Bidding
(c) Shopping
(d) Procurement from United Nations Agencies

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) Quality-Based Selection
(b) Least-Cost Selection
(c) Selection Based on the Consultants’ Qualifications
(d) Single-Source Selection
(e) Selection of Individual Consultants
(f) Sole-Source Selection

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.

E. National Competitive Bidding Procedures

The procedures to be followed for National Competitive Bidding shall be those set forth in the Sub-decree, and relevant provisions of the Procurement Manual, with modifications set forth below in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Procurement Guidelines, as required by paragraph 3.3 and 3.4 of the Procurement Guidelines.

1. **Eligibility.** The eligibility of bidders shall be as defined under Section I of the Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall not be asked or required to form joint ventures with national bidders in order to submit a bid. Bidders located in the same province or city as the procuring entity shall not be given preference over bidders located outside that city or province.

2. **Qualification Criteria.** The assessment of the qualification of a bidder shall be conducted separately from the technical and commercial evaluation of the bid and in strict adherence to the qualification criteria that shall be clearly specified in the bidding documents. Such assessment shall only take into account a bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity.
3. **Bid Submission, Bid Opening and Bid Evaluation.**
 - (a) The evaluation of a bid shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.
 - (b) No bidder shall be rejected on the basis of a comparison with the Recipient's estimate and budget ceiling without the Association's prior concurrence.
 - (c) A copy of the minutes of the public bid opening shall be promptly provided to all bidders and to the Association with respect to contracts subject to Prior Review.
 - (d) Neither shall all bids be rejected nor shall new bids invited without Association's prior written concurrence.
4. **Complaints by Bidders and Handling of Complaints.** The Recipient shall implement the complaint handling mechanism in accordance with Section 7 of the Procurement Manual.
5. **Fraud and Corruption.** The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.
6. **Right to Inspect/Audit.** Each bidding document and contract financed from the proceeds of the Financing shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by a bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

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 World Bank 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1. SDGs	500,000	100 % of the Association’s agreed share of the cost of the approved AOP for each FY
2. HEF Grants	200,000	100 % of the Association’s agreed share of the cost of the approved AOP for each FY
3. MBPI-related payments	200,000	100 % of the Association’s agreed share of the cost of the approved AOP for each FY
4. Goods, works and services, operating costs* and training, under the Project other than under Categories	2,800,000	100 % of the Association’s agreed share of the cost of the approved AOP for each FY

(1) through (3)		
5. Unallocated	14,800,000	
TOTAL AMOUNT	<u>18,500,000</u>	

* In this table, the term "operating costs" means the incremental operating costs arising under the Project on account of local contractual support staff salaries, employment benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; and utilities, media information campaigns and communications' expenses.

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;
 - (b) in respect of expenditures in any FY, unless the AOP has been duly approved, and the respective percentage share of each Pool Partner in the total share of the financing requirements attributable to the Pooled Account has been determined and fully agreed upon;
 - (c) in respect of expenditures under Category (1), unless the SDG Operational Manual has been adopted by the Recipient in accordance with the provisions of Part B.1 of Section I of Schedule 2 to this Agreement;
 - (d) in respect of expenditures under Category (2), unless the HEF Operational Manual has been adopted by the Recipient, in accordance with the provisions of Part B.1 of Section I of Schedule 2 to this Agreement;
 - (e) in respect of expenditures under Category (3), unless MBPI Manual has been prepared and adopted in accordance with the provisions of Part B.1 of Section I of Schedule 2 to this Agreement.

2. The Closing Date is June 30, 2014.

Section V. Other Undertakings

1. Unless otherwise agreed to between the Recipient and the Association, and for the purposes of Section III of Schedule 2 to this Agreement, the Recipient shall use the services of a procurement agent engaged by the MEF under terms of reference satisfactory to the Association for all procurement activities to be undertaken under the Project other than the following:
 - (a) contracts to be procured, with the Association's prior concurrence, using the following procurement methods:
 - (i) Direct Contracting,
 - (ii) Single Source Selection,
 - (iii) Sole-Source Selection,
 - (iv) Procurement from UN agencies;
 - (b) contracts for the replacement on an emergency basis of items of medical supplies and instruments originally procured as part of the annual medical equipment kits package, and estimated to cost less than \$200 per contract and not to exceed an aggregate amount of \$5,000 per Province over the life of the Program.
2. For the purposes of Section III of Schedule 2 to this Agreement, guidance for implementing the Procurement Guidelines and the Consultant Guidelines is provided in the Procurement Manual.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing December 15, 2018, to and including June 15, 2028	1%
commencing December 15, 2028, to and including June 15, 2048	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**Section I. Definitions**

1. “Annual Operational Plan” or “AOP” means an annual activity plan and budget approved or to be approved for each Fiscal Year, giving details of all activities to be financed under the Program, using resources from the Pooled Account and other sources, along with specific performance indicators, and which serves as the planning tool for the implementation of Three Year Rolling Plans.
2. “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.
3. “Beneficiary” means an OD or Eligible NGO, as the case may be, which is the beneficiary of a Grant and party to a Grant Agreement.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Co-financiers” means the Australian Agency for International Development (“AusAID”) and the United Kingdom of Great Britain and Northern Ireland, represented by the Department for International Development (“DFID”).
6. “Co-financing Agreement” means an agreement with the Recipient providing for the co-financing of the Project by or on behalf of a Co-financier.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006.
8. “Counterpart Fund Account” means the account referred to in Part B.6 of Section I of Schedule 2 to this Agreement.
9. “Displaced Person” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

10. “Eligible NGO” means an NGO which is declared eligible to derive benefits under the Project in accordance with pre-determined selection criteria set forth in the SDG Operational Manual or HEF Operational Manual, as the case may be.
11. “Environmental Management Plan” or “EMP” means an Environmental Management Plan, acceptable to the Association and consistent with the Environmental Management Framework, adopted for the purposes of a Subproject, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the Environmental Management Framework under the Subproject, along with the procedural and institutional measures needed to implement such actions, measures and policies.
12. “Environmental Management Framework” means the Environmental Management Framework, dated April 24, 2008, adopted by the Recipient, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, as such Environmental Management Framework may be amended from time to time with the prior agreement of the Association.
13. “Fiscal Year” and “FY” mean the Recipient’s fiscal year commencing January 1 and ending December 31.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
15. “Good Governance Framework” means a matrix of actions, measures and policies, dated May 6, 2008, adopted by the Recipient, and designed to reduce or eliminate fraud and corruption in all its forms under the Program.
16. “Grant” means an SDG or HEF Grant or both.
17. “Grant Agreement” means an agreement between the Recipient and a Beneficiary for purposes of a Subproject, and referred to in Part D.3 of Section I of Schedule 2 to this Agreement.
18. “HCP” means the Health Coverage Plan, a framework document outlining the details of a proposal for an infrastructure development strategy based on population and geographical access.

19. “HEF Operational Manual” means the HEF Operational Manual referred to in Part B.1(a)(iii) of Section I of Schedule 2 to this Agreement, as such HEF Operational Manual may be amended from time to time with the prior agreement of the Association.
20. “HSP2” means the Recipient’s Health Strategy Plan 2008-15 which serves as the guiding framework for key decisions in the health sector, and is to be implemented according to the 3YRP.
21. “Indigenous Peoples” means those social groups that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.
22. “Indigenous Peoples Plan” means an Indigenous Peoples Plan acceptable to the Association and consistent with the Indigenous Peoples Planning Framework, adopted for the purposes of a Subproject, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the Indigenous Peoples Planning Framework under the Subproject, along with the procedural and institutional measures needed to implement such actions, measures and policies.
23. “Indigenous Peoples Planning Framework” means the Indigenous Peoples Planning Framework acceptable to the Association, dated May 2, 2008, adopted by the Recipient, and giving details of the rules, guidelines and procedures needed to: (a) involve Ethnic Minorities, through a process of informed consultation, in the design and implementation of Subprojects in locations in which such people reside or make their living; and (b) design and implement measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts of Subprojects, as such Indigenous Peoples Planning Framework may be amended from time to time with the prior agreement of the Association.
24. “Joint Partnership Arrangement” or “JPA” means the Joint Partnership Arrangement referred to in Part B.3(b) of Section I of Schedule 2 to this Agreement.
25. “Land Acquisition and Resettlement Action Plan” means a Land Acquisition and Resettlement Action Plan acceptable to the Association and consistent with the Land Acquisition and Resettlement Framework, adopted for the purposes of a Subproject, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the Land Acquisition and Resettlement Framework under the Subproject, along with the procedural and institutional measures needed to implement such actions, measures and policies.

26. “Land Acquisition and Resettlement Framework” means the Land Acquisition and Resettlement Framework acceptable to the Association, dated March 2008, adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such Land Acquisition and Resettlement Framework may be amended from time to time in agreement with the Association.
27. “MBPI” means merit-based performance incentive scheme.
28. “MBPI Manual” means the MBPI Manual referred to in Part B.1(a)(iv) of Section I of Schedule 2 to this Agreement, as such MBPI Manual may be amended from time to time with the prior agreement of the Association.
29. “MEF” means the Recipient’s Ministry of Economy and Finance, or any successor thereto.
30. “MOH” means the Recipient’s Ministry of Health, or any successor thereto.
31. “NGO” means a non-governmental organization.
32. “PHD” means a Provincial Health Department, or any successor thereto.
33. “Pooling Partner” means any Program Partner who contributes to the cost of the Program pursuant to Part B.3(a) of Section I of Schedule 2 to this Agreement, using the Pooled Account to channel its funding.
34. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
35. “Procurement Manual” means the Recipient’s Externally Assisted Program Procurement Manual for Goods, Works and Services, dated February 26, 2007, issued pursuant to the Sub-decree.
36. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 12, 2008, 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.
37. “Program” means the Recipient’s overall program of actions, measures and policies designed to achieve the objectives of HSP2, and supported by the Association and other Program Partners, whether through the Pooled Account or otherwise.

38. “Program Partner” means any one or more of the bilateral and multilateral agencies, including the Association and the Co-financiers, which contribute to the realization of HSP2, whether through the Pooled Account or otherwise.
39. “Project Operational Manual” means the Project Operational Manual referred to in Part B.1(a)(i) of Section I of Schedule 2 to this Agreement, as such Project Operational Manual may be amended from time to time with the prior agreement of the Association.
40. “Program Performance Indicators” means the performance indicators agreed between the Recipient and the Association for purposes of the Project, and reflected in a supplemental letter of the same date as this Agreement, signed by or on behalf of the Recipient and addressed to the Association.
41. “Province” means an administrative sub-division of the Recipient’s territory.
42. “SDG Operational Manual” means the SDG Operational Manual referred to in Part B.1(a)(ii) of Section I of Schedule 2 to this Agreement, as such SDG Operational Manual may be amended from time to time with the prior agreement of the Association.
43. “Social and Environmental Safeguards Framework” means the Environmental Management Framework, the Land Acquisition and Resettlement Framework, and the Indigenous Peoples Planning Framework.
44. “Sub-decree” means the Recipient’s Sub-decree 14 on Promulgating of the Standard Procedures for Implementing the World Bank and the Asian Development Bank Assisted Programs, dated February 26, 2007.
45. “Subproject” means any package of services or activities to be provided or undertaken, as the case may be, by a Beneficiary, and to be supported in whole or in part out of the proceeds of a Grant.
46. “Three-Year Rolling Plan” or “3YRP” means a medium-term planning framework with a three-year rolling cycle for the health sector, based on the health sector’s financing needs (bottom-up) and projections of resource envelope from all sources (top-down), and designed to facilitate the implementation of HSP2.

Section II. Modification to the General Conditions

There is one modification to the General Conditions, namely, that the term “Project” in the terms and definitions set forth in the Appendix is modified to read as follows:

“‘Project’ means the part of the Program referred to in the Financing Agreement, which is to be financed using the proceeds of the Pooled Account” (as defined in the Financing Agreement). All references to “Project” throughout these General Conditions are deemed to be references to “Project”, as so defined.