

Public Disclosure Authorized

CONFORMED COPY

IDA GRANT NUMBER: H1380 MAI

Development Grant Agreement

(Health Sector Support Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 7, 2005

Public Disclosure Authorized

IDA GRANT NUMBER: H1380 MAI

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated February 7, 2005, between REPUBLIC OF MALAWI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) The Association received from the Recipient the following documents: (i) Malawi National Health Plan 1999 – 2004 dated May 1999; (ii) Malawi Poverty Reduction Strategy Paper dated April 2002; and (iii) a six-year Program of Work (PoW) dated July 2004, collectively describing a program of objectives, policies and actions designed to provide essential health care package of services to the poor, women and children (the Program) and declaring the Recipient's commitment to the execution of the Program;

(C) the Recipient intends to obtain from various Collaborating Partners (as hereinafter defined) grants and loans to assist in financing the Program;

(D) the Recipient, the Association and the Pool Fund Partners (as hereinafter defined) have entered into a memorandum of understanding (the Memorandum of Understanding) providing for common procedures on procurement, disbursement, financial management, cooperation and exchange of information and monitoring and evaluation; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient 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 Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) “Collaborating Partners” means collectively national or international agencies contributing funds or technical assistance to the Program, and are signatories to the MOU;

(b) “District” means a local government area established pursuant to the Regional and District Boundaries and Place Names Act, Chapter 18:04 of the laws of the Recipient;

(c) “District Assembly” means an assembly established pursuant to the Local Government Act, Chapter 22:01 of the Laws of the Recipient for the administration of a local government;

(d) “District Health Management Team” means a committee established to plan, budget and implement health services activities at District and community levels;

(e) “Eligible Expenditures” means the expenditures for goods, works and services provided under a Subprogram for pharmaceuticals, medical supplies, medical equipment, civil works and operating costs for medical and support facilities, consulting and audit services, training, office supplies, vehicle and equipment operation, travel, salaries, per diem and supervision costs, and other expenditures under such Subprogram;

(f) “Environmental and Social Management Framework” or “ESMF” means the framework dated October 2004 issued by the Recipient and outlining the environmental and social screening procedures to be followed during implementation of the Project including potential environmental and social risks and adverse impacts of the Project along with proposed mitigation measures;

(g) "EHP" means essential health package, a package of health services identified in the Program as priority services that should be available to every Malawian;

(h) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(i) "Fiscal Year" or "FY" means the Recipient's fiscal year commencing July 1 and ending June 30 the following year;

(j) "Malawi Social Action Fund" means the institution established with the Recipient's Office of the President and Cabinet to support and oversee community driven development;

(k) "Pool Fund Account" means the account referred to in Part B.1 of Schedule 1 to this Agreement;

(l) "Pool Fund Partners" means donors pooling at least part of their funds into the Pool Fund Account and having signed the Memorandum of Understanding;

(m) "Procurement Plan" means the Recipient's procurement plan, dated October 27, 2004 covering the initial 12 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 12 month periods (or longer) of Project implementation;

(n) "Project Affected Person" or "PAP" means any person who owns or occupies land, property or other assets or structures which are adversely affected by the Project, or whose livelihood, business, trade or other occupation is adversely affected as a result of the Project, and who is declared accordingly eligible to compensation or other assistance under the RPF (as hereinafter defined);

(o) "Report-based Disbursements" means the Recipient's option for withdrawal of funds from the Grant Account referred to in Part A.4 (a) of Schedule 1 to this Agreement;

(p) "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework, dated May 2004 issued by the Recipient, and describing the rules and procedures to designed to provide prompt and effective compensation at full replacement costs for PAPs for losses of assets or access to assets important for production, loss of land or land use, negative impact on livelihood, and loss of shelter attributable directly to the Project;

(q) "Senior Management Committee" means the committee referred to in paragraph 3 of Schedule 4 to this Agreement and responsible for, *inter alia*, coordinating overall Project implementation;

(r) "Subprogram" means the program of activities included in the Program to be carried out in each Fiscal Year, as agreed upon between the Recipient, the Association and the Pool Fund Partners;

(s) "Top Management Committee" means the committee referred to in paragraph 1 of Schedule 4 to this Agreement and responsible for, *inter alia*, providing strategic guidance for over all Project implementation; and

(t) "Village Health Committee" means a committee established to participate in identification and implementation of health services interventions, and manage and monitor health services at village and community levels.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to ten million one hundred thousand Special Drawing Rights (SDR10,100,000).

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

Section 2.03. The Closing Date shall be September 15, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

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

Section 2.05. Commitment charges shall be payable semiannually on March 31 and September 30 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through its Ministry of Health with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, social and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not

later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Program.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association); (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of reports referred to in Part A.4 (a) of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 11 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Program, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Program implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Program implementation; and
- (iii) sets forth the status of procurement under the Program, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Program through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Recipient to withdraw the proceeds of any grant or loan made to the Recipient for the financing of the Program shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Program are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient 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 Recipient:

Ministry of Finance
P.O. Box 30049
Lilongwe 3
Malawi

Cable address:	Telex:	Facsimile:
FINANCE	44407 (MI)	(265) 789173
Lilongwe		

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Lilongwe, Republic of Malawi as of the day and year first above written.

REPUBLIC OF MALAWI

By /s/ Goodall Gondwe

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hartwig Schafer

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

A. General

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

	<u>CATEGORY</u>	Amount of the Grant Allocated (Expressed in <u>SDR Equivalent</u>)	% of Expenditures <u>to be Financed</u>
(1)	Subprograms	10,100,000	Such percentage of Eligible Expenditures as the Association may determine for each Fiscal Year
	Total	10,100,000 =====	

2. No withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR1,010,000, may be made on account of payments made for expenditures before that date but after October 29, 2004;

(b) a Subprogram, unless such Subprogram has been approved by the Association in accordance with, and subject to, the provisions of paragraphs 6 and 7 of Schedule 4 to this Agreement; and

(c) payments made for expenditures for goods, works or consultants' services supplied under a contract which the Association or any national or international

financing institution or agency, other than the Pool Fund Partners, shall have financed or agreed to finance under any other credit or grant.

4. (a) The Recipient may request withdrawals from the Grant Account to be made on the basis of reports specified in Part B.3 of this Schedule to be submitted to the Association, in form and substance satisfactory to the Association, in accordance with the provisions of Part B of this Schedule (Report Based Disbursements).

(b) (i) The Recipient may also request payments to be made directly to a supplier or consultant for goods, works, and consultants' services included in a Subprogram, or to such supplier's or consultant's commercial bank, to guarantee the letter of credit issued by such commercial bank, using the Association's Special Commitment procedures for the full amount of such requested payments. Subsequent disbursements to finance Subprograms during the remainder of the Fiscal Year will be reduced by a corresponding amount to offset direct disbursements and amounts disbursed under Special Commitment procedures.

(ii) The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for goods, works, and consultants' services included in Subprograms, under such terms and conditions as the Association shall specify by notice to the Recipient.

B. Pool Fund Account

1. The Recipient may, for purposes of the Program, open and maintain in Dollars an account in its central bank on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Pool Fund Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Pool Fund Account shall be made in accordance with the provisions of this Part B.

3. Each request for withdrawal from the Grant Account shall be made on the basis of the reports referred to in Part A.4 (a) of this Schedule, such reports to include the FMR and other information as the Association shall specify by notice to the Recipient; provided, however, that in the case of the first request for withdrawal submitted to the Association, before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

4. Upon receipt of each request for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Pool Fund Account an amount equal to the lesser of: (a) the amount so requested; or (b) the amount which the Association has determined, based on the reports referred to in Part B.3 of this Schedule applicable to such withdrawal request, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

5. Amounts deposited by the Association into the Pool Fund Account shall be used exclusively to make payments for Eligible Expenditures. For each payment made by the Recipient out of the Pool Fund Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

6. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Pool Fund Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part B.3 of this Schedule adequately provide the information required for Report Based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient shall have failed to furnish to the Association, 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 Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Pool Fund Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Report Based Disbursements.

7. The Association shall not be required to make further deposits into the Pool Fund Account in accordance with the provisions of Part B.1 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Pool Fund Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

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

(b) If the Association determines at any time that any Grant proceeds on deposit in the Pool Fund Account will not be required to cover payments for Eligible Expenditures during the six month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such proceeds.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the Grant proceeds on deposit in the Pool Fund Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 8 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Recipient's Program to improve the effectiveness, efficiency and quality of the essential health care delivery system provided to the poor, women and children.

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

Part A: Quality of Health Care Services

Carrying out of Subprograms to increase coverage of and access to quality health services through: (a) extending the provision of EHP services to cover rural and disadvantaged Districts and poorest and vulnerable population including women and children; (b) carrying out of programs to sensitize and mobilize communities; (c) establishment of standards and packages of health care to be delivered to communities, health centers, District and central hospitals; (d) enhancement of staff performance and strengthening of health workers and management skills; (e) enhancing the effective delivery of EHP through sustainable acquisition of logistics, pharmaceuticals, medical and laboratory equipment; and (f) rehabilitation of facilities to support delivery of EHP.

Part B: Human Resources Development and Management

Carrying out of Subprograms to alleviate the severe shortage of human resources in the health sector including: (a) recruitment of staff to fill vacancies; (b) strengthening the ability of the health sector to retain staff; (c) provision of adequate training including medical waste management training; (d) equitable distribution of health workers, particularly, in disadvantaged rural Districts; (e) mitigation of the Human Immuno-Deficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) impact on health workers; (f) acquisition of anti retroviral vaccines for health workers; and (g) improving the delivery of EHP services at community level.

Part C: Strengthening Health Support and Referral Systems

Carrying out of Subprograms to improve the effectiveness and efficiency of the health system and the referral network to support delivery of EHP including:

1. Strengthening the institutional structure to enhance central support for the delivery of EHP through: (a) development of and implementation of policies; (b)

development and implementation of coordination and regulatory frameworks; (c) establishment of organizational structures; (d) development of procurement and financial management systems; (e) development and provision of training programs; and (f) development of information and monitoring and evaluation systems.

2. Strengthening coordination and planning to ensure sustainable financial, human and other resources necessary for effective delivery of EHP in the Districts through: (a) orientation of staff and other stakeholders on the Program and the concept of EHP; (b) development of District implementation and financial management plans; (c) acquisition of drugs, equipment and supplies; (d) development and implementation of an effective communication and referral framework; (e) effective execution of routine operations by District Health Management Teams; (f) strengthening of community participation; and (g) establishment of effective linkage to Malawi Social Action Fund and provision of technical advisory services to District Assemblies.

* * *

The Project is expected to be completed by March 15, 2008.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

Goods estimated to cost less than \$250,000 equivalent per contract, medical equipment estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$1,000,000 equivalent per contract may be procured under contracts awarded in accordance with the Recipient's Procurement Act of 2003.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

Consultants services estimated to cost less than \$100,000 per contract may be procured in accordance under contracts awarded in accordance with the Recipient's Procurement Act of 2003.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contracts for goods and works procured on the basis of direct contracting; (b) each contract for goods estimated to cost the equivalent of \$250,000 or more, and each contract for medical equipment estimated to cost the equivalent of \$150,000 or more; (c) each contract for works estimated to cost the equivalent of \$1,000,000 or more; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (e) each contract for consultants' services estimated to cost the equivalent of \$1,000 or more and procured on the basis of single source selection. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

I. Overall Project Oversight

1. The Recipient shall maintain at all times during the implementation of the Project a Top Management Committee which shall be chaired by the Principal Secretary for Health and include Directors at the Ministry of Health, Secretary to the Treasury, Secretary for Economic Planning and Development and Secretary for Local Government.
2. The Top Management Committee shall provide strategic guidance for Project implementation.
3. The Recipient shall maintain at all times during the implementation of the Project a Senior Management Committee which shall be chaired by the Principal Secretary for Health and include Directors and their deputies at Ministry of Health, heads of central hospitals, registrars of professional councils and program managers.
4. The Senior Management Committee shall: (a) approve annual work plans and budget; and (b) coordinate overall Project implementation.

II. Project Administration and Management

5. The Recipient shall implement the Project in accordance with the procedures set out in the Memorandum of Understanding and the Procurement Plan, and, except as the Association and the Pool Fund Partners shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association and the Pool Fund Partners, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project.
6. The Recipient shall:
 - (a) not later than March 31 of each Fiscal Year during the implementation of the Project or such later date as the Association may agree, commencing on March 31, 2005, furnish to the Association for its approval each proposed Subprograms to be carried out in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account its comments and views on the matter;
 - (b) carry out, or cause to be carried out, each such Subprograms in accordance with the Memorandum of Understanding and the Procurement Plan; and

(c) not make any material change to the approved Subprograms without consultation with the Pool Fund Partners and the Association.

7. Except as the Recipient and the Association shall otherwise agree, the Association shall not approve any proposal for a Subprogram furnished to it pursuant to subparagraph 6 (a) above unless and until:

(a) the Recipient shall have prepared and furnished to the Association an operational plan for the Subprogram, setting forth, inter alia, the activities to be carried out, any policy reforms and other measures to be implemented, the expenditures to be incurred, the sources of financing of such expenditures and the procurement plan to be followed; and

(b) the Association shall have been satisfied with the progress made to date in the carrying out of the current activities under the Subprogram in accordance with annual indicators agreed upon with the Pool Fund Partners.

8. District Health Management Teams established in each district shall be responsible for organizing the local provision of health services at the community level in a manner consistent with the terms of reference set forth in the PoW. The teams shall prepare annual plans and budgets for their districts.

III. Environmental and Social Measures

9. Except as the Association shall otherwise agree, the Recipient shall carryout the Project in accordance with the ESMF and RPF, and shall not amend or waive, or permit to be amended or waived, the ESMF, RPF or any provisions thereof in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of Project.

10. Without limitation upon the Recipient's other reporting obligations under Section 4.02 of this Agreement, the Recipient shall submit biannually consolidated reports on compliance with environmental and social safeguard measures under the Project, giving details of measures taken in furtherance of the RPF and the mitigation measures specified in the ESMF, and conditions, if any, which interfere or threaten implementation of the RPF or the mitigation measures specified in the ESMF, and remedial measures taken or required to be taken to address such conditions.

IV. Project Monitoring and Evaluation

11. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators referred to Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof; and

(b) furnish to the Association and the Pool Fund Partners: (i) by April 30 of each year of implementation of the Project or such later date as the Association may agree, commencing on April 30, 2005, the health sector budget to be submitted by the Ministry of Health to the Ministry of Finance for the following Fiscal Year; (ii) by August 31 of each year of Project implementation, or such later date as the Association may agree, commencing on August 31, 2005, the annual budget of the Ministry of Health that is approved by Parliament; and (iii) by September 30 of each year of implementation of the Project or such later date as the Association may agree, commencing on September 30, 2005, an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out the Project during the previous Fiscal Year 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 the report of actual expenditures against the budget for the previous Fiscal Year.

SCHEDULE 5

Performance Indicators

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Recipient and the Association:

1. % of health facilities able to provide EHP services.
2. % of population within easy reach of EHP services.
3. % of actually received government budget allocation to health services.
4. % of facilities without 7-day stockouts of EHP drugs.
5. % immunized infants under the age of one.
6. % of births handled by skilled attendants.
7. % tuberculosis cases cured.
8. Finalization of a comprehensive human resources management plan.
9. % of facilities with minimum staffing norms.
10. % of staffing positions filled.
11. % of Program budget allocated to health centers.
12. % of facilities regularly supervised by the District Health Management Team.
13. Number of Village Health Committees established and functioning as evidence of community participation in delivery of EHP.

SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”.
 - (b) The term “Credit” is modified to read “Grant”.
 - (c) The term “Credit Account” is modified to read “Grant Account”.
 - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
 - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.

- (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

- (a) Section 4.02(a) is modified to read as follows:

“Section 4.02. Currencies in which Payments are to be Made

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

- (b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

- (c) Section 4.03 is modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

- (d) Section 4.06(b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Article VI is modified as follows:

- (a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.
- (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

8. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

9. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*”

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”