

CONFORMED COPY

**CREDIT NUMBER 3841 TA
GRANT NUMBER H071 TA**

Development Financing Agreement

(Project in Support of the Health Sector Development Program - Phase II)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 13, 2004

CREDIT NUMBER 3841 TA
GRANT NUMBER H071 TA

DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated January 13, 2004, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received the following documents from the Borrower: (i) a letter dated February 25, 2000, describing the Borrower's proposed health sector reforms, constituting the framework for improving health services within the Borrower's territory; (ii) a three-year Program of Works (the Program of Works), dated June 1999, part of which describes a program of actions, objectives, and policies designed for purposes of implementation of the Borrower's proposed health sector reforms for the Fiscal Years (as hereinafter defined) 1999 to 2002; (iii) the proposals for health sector reform dated December 1994; (iv) the Borrower's Second Health Sector Strategic Plan (the Second Health Sector Strategic Plan) dated April 30, 2003, for Fiscal Years (as hereinafter defined) 2003-2008; and (v) a letter dated November 13, 2003, describing the Borrower's objectives and policies designed for purposes of implementation of the activities set forth in the said Second Health Sector Strategic Plan (the said documents collectively referred to as the Program), declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association assist in the financing of the Program through a series of grants or credits over a period of approximately twelve years;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to provide financing in the form of a Credit and a Grant (as hereinafter defined) to assist in the financing of the Project, which constitutes the second phase of the said Program;

(D) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Grant be disbursed on account of expenditures in respect of the Project before the disbursements of the proceeds of the Credit are made;

(E) the Borrower intends to obtain from various Donors (as hereinafter defined) grants and loans to assist in the financing of the Program;

(F) the Borrower, the Association and the other Donors (as hereinafter defined) intend to enter into a Memorandum of Understanding (as hereinafter defined),

providing for common procedures on procurement, disbursement, cooperation and exchange of information and such other matters of common interest in connection with the provision of Pooled Funds (as hereinafter defined) towards the financing of the Program as may be agreed to by the parties; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit and the Grant to the Borrower 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 October 6, 1999), with the modifications set forth in Schedule 7 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) “Annual Review” means the review referred to in paragraph 8 (b) of Section I of Schedule 4 to this Agreement;

(b) “Basket Financing Committee” means the committee established on October 29, 1999, co-chaired by the Permanent Secretary of the MOH (as hereinafter defined) and the Permanent Secretary of the PORALG (as hereinafter defined), consisting of senior officials of the MOH (as hereinafter defined), the PORALG (as hereinafter defined), the Ministry of Finance, and representatives of the Donors (as hereinafter defined) and referred to in paragraph 5 of Section I of Schedule 4 to this Agreement;

(c) “BOT” means the Bank of Tanzania established pursuant to the Bank of Tanzania Act No. 1 of 1995, as amended;

(d) “CHF” means Community Health Fund, a community-based financing scheme for basic health services;

(e) “CHF Grants” means matching grants provided to CHF Grant Beneficiaries (as hereinafter defined) under Part C.3 of the Project, to match the funds provided by such CHF Grant Beneficiaries (as hereinafter defined) to the CHF;

(f) “CHF Grant Agreement” means an agreement between the Borrower and a CHF Grant Beneficiary (as hereinafter defined) setting forth the terms and conditions under which a CHF Grant (as hereinafter defined) shall be made available to a CHF Grant Beneficiary (as hereinafter defined) under Part C.3 of the Project;

(g) “CHF Grant Beneficiary” means a Council Health Service Board (as hereinafter defined) that meets the eligibility criteria for CHF Grants (as hereinafter defined) and to whom CHF Grants (as hereinafter defined) are made or proposed to be made for the benefit of the local communities living within a District (as hereinafter defined);

(h) “CHF Grant Manual” means the manual, in form and substance satisfactory to the Association, setting forth the terms and conditions under which proceeds of the Credit or Grant shall be made available to the CHF Grant Beneficiaries under Part C.3 of the Project;

(i) “Comprehensive Council Health Plan” means a plan that is produced annually by a Council of the Borrower, as such Council is defined in the Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended, setting forth proposed activities for implementation in priority areas identified in essential health intervention packages, sources of funding, and health care providers;

(j) “Council Health Service Board” means a health board established by a Council of the Borrower as such Council is defined in the Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended, or by an Urban Council as defined under the said Act, to oversee the provision of health services within the Borrower’s territory;

(k) “District” means an administrative area established pursuant to Section 6 of the Borrower’s Regions and Districts (Establishment Procedures) Act No.12 of 1994, representing a designated area and population within the territory of the Borrower;

(l) “District Council” means a council established under section 86A of Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended;

(m) “Donors” means, collectively, the Association, the Danish International Development Agency, German Technical Cooperation, Development Cooperation Ireland, the Swiss Agency for Development Cooperation, the Netherlands, and any other

national or international agency making a financial contribution to the Pooled Funds, and “Donor” means each and every donor individually;

(n) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(o) “Fiscal Year” or “FY” means the fiscal year of the Borrower which commences on July 1 and ends on June 30 of the year immediately following;

(p) “HCWMP” means the Health Care Waste Management Plan dated March, 2003, approved by the Association and the Borrower, setting out the measures and arrangements necessary for the proper management of medical waste under the Project;

(q) “HIV/AIDS” means Human Immuno-Deficiency Virus/Acquired Immune Deficiency Syndrome;

(r) “IAPSO” means the Inter-Agency Procurement Services Office, established by the United Nations Development Programme;

(s) “MOH” means the Borrower’s Ministry of Health;

(t) “MOU” or “Memorandum of Understanding” means the memorandum of understanding to be entered into by the Borrower, the Association, and the other Donors, providing for inter alia common procedures on procurement, disbursement, cooperation, and exchange of information;

(u) “NHIF” means the Borrower’s National Health Insurance Fund established under Act No. 8 of 1999, as amended;

(v) “Non-Pooled Funds” means the funds provided by the Association to finance the Non-Pooled Expenditures, as defined in Schedule 1 to this Agreement;

(w) “PIP” means the Project Implementation Plan, in form and substance satisfactory to the Association, to which the MOU is attached, comprising inter alia: (i) approved Subprograms for each Fiscal Year; (ii) monitoring and performance indicators; (iii) details of all procurement and disbursement arrangements under the Project; (iv) guidelines and procedures to be used for the purpose of implementation of the Program and Project; and (v) such other administrative, financial, and organizational arrangements as shall be required, as amended from time to time in consultation with the Association and the other Donors, and such term includes any schedules to the PIP;

(x) “Pooled Funds” means funds deposited in the US Dollar Holding Account (as hereinafter defined) provided by the Donors in support of the Program;

(y) “PORALG” means the Borrower’s President’s Office, Regional Administration and Local Government;

(z) “Region” means each of the twenty-six regions proclaimed as such by the President of the United Republic of Tanzania, pursuant to powers conferred by the Constitution;

(aa) “Side Agreement” means an agreement to be entered into between the Borrower and the Donors after carrying out the Annual Review, setting forth *inter alia* the financial commitments of each Donor towards the Pooled Funds for the Fiscal Year following such review, and referred to in paragraph 3 (b) of Schedule 1 to this Agreement;

(bb) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(cc) “Subprogram” means the annual program of activities to be carried out in a District, Region or at national level in each Fiscal Year as agreed among the Borrower, the Association, and the other Donors in the case of the Pooled Funds, and by the Borrower and the Association in the case of the Non-Pooled Funds; and

(dd) “US Dollar Holding Account” means the account opened in the BOT, or another bank acceptable to the Association, set up for the purpose of holding the Pooled Funds, and referred to in paragraph 7 of Section I to Schedule 4 to this Agreement.

ARTICLE II

The Financing

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement:

(a) an amount in various currencies equivalent to twenty-seven million, nine hundred thousand Special Drawing Rights (SDR 27,900,000) (the Credit); and

(b) an amount in various currencies equivalent to seventeen million, four hundred thousand Special Drawing Rights (SDR 17,400,000) (the Grant).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account and the amount of the Grant may be withdrawn from the Grant Account, in each case 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: (i) goods, works and services required for Subprograms under the Project and to be financed out of the proceeds of the Financing; and (ii) amounts paid (or if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made for the benefit of CHF Grant Beneficiaries under the CHF Grant Agreements to meet the reasonable cost of goods, works and services required for CHF Grants.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) Each 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 Borrower from the Credit Account or the Grant Account (as the case may be), or canceled; and (ii) at the respective 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 respective rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) Each 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 Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing March 15, 2014 and ending September 15, 2043. Each installment to and including the installment payable on September 15, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment of the Credit to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOH and PORALG, with due diligence and efficiency and in conformity with appropriate administrative, financial 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the financial statements (including the records and accounts of the Special Account) 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 Financing Accounts were made on the basis of statements of expenditure, the Borrower 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 Financing Accounts 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 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 Borrower's progress reporting obligations set out in paragraph 8 of Section I of Schedule 4 to this Agreement, the Borrower 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 Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Financing, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report 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 Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report 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 Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore; 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 Borrower establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
 - (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; 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 Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P. O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:	Telex:	Facsimile:
TREASURY Dar es Salaam	41329	(255-222) 117790

For the Association:

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

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

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

UNITED REPUBLIC OF TANZANIA

By /s/ Andrew Daraja

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy M. O'Connor

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Financing

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Financing, the allocation of the amounts of the Credit and 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>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Pooled Funds Expenditures financed under the Subprograms, including civil works, drugs, equipment, vehicles, training and associated materials, consultant services, Operating Costs and CHF Grants after FY2004		17,400,000	Such percentage of Pooled Fund Expenditures as the Association may determine for each Fiscal Year
(2) Non-Pooled Expenditures financed under the Subprograms, including civil works drugs, equipment, vehicles, training and associated materials, consultant services and Operating Costs	2,800,000		100% of foreign expenditures 90% of local expenditures
(3) CHF Grants for FY2004 only	1,400,000		100% of amounts disbursed
(4) Unallocated	23,700,000		
TOTAL	<u>27,900,000</u>	<u>17,400,000</u>	
	=====	=====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods, works or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods, works, or services supplied from the territory of the Borrower;

(c) the term “Operating Costs” means the incremental expenses incurred in relation to the implementation, management and monitoring of the Project, including office supplies, transportation, communications, vehicle and equipment operation, but excluding salaries of officials of the Borrower’s civil service;

(d) the term “Pooled Funds Expenditures” means the Subprogram expenditures to be financed out of the Pooled Funds deposited in the US Dollar Holding Account; and

(e) the term “Non-Pooled Expenditures” means the Subprogram expenditures to be financed solely by the Association out of the Non-Pooled Funds, as agreed between the Borrower and the Association, and set forth in the Borrower’s medium term expenditure framework for FY2003/04.

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

(a) payments made for expenditures prior to the date of this Agreement;

(b) a Subprogram unless in the case of: (i) Category 1 for the Pooled Funds: (A) the MOU has been entered into among the Borrower, the Association and the other Donors; and (B) such Subprogram has been approved by the Association and the other Donors, and the Side Agreement confirming such approval and the percentage and amount of Pooled Fund Expenditures to be financed by the Association for each Fiscal Year of Project implementation is submitted to the Association on an annual basis. The Association shall, upon the request of the Borrower, make semi-annual direct payments to the US Dollar Holding Account, based on the Association’s annual commitment, as described in the Side Agreement; and (ii) Category 2 for Non-Pooled Funds, such Subprogram has been approved by the Association; and

(c) payments made for expenditures for goods, works or services supplied under a contract which any national or international financing institution or agency, other

than the Association, shall have financed, or agreed to finance under any other credit or grant.

4. The Association may require withdrawals from the Credit Account and the Grant Account to be made on the basis of statements of expenditure for contracts for: (a) works estimated to cost less than \$500,000 equivalent each; (b) goods estimated to cost less than \$200,000 equivalent each; (c) consulting firms estimated to cost less than \$100,000 each; (d) individual consultants estimated to cost less than \$50,000 each; (e) training; (f) Operating Costs; and (g) CHF Grants, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in continuing to improve the quality of health services and the management of resources allocated to the health sector through the expansion of the health sector policy and institutional capacity building reforms carried out during the first phase of the Program.

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

Part A: District Health Services

Carrying out of Subprograms for:

1. Quality of Health Services

Improving access to, and the quality and efficiency of, District based primary health services by integrating HIV/AIDS-related activities into the District work programs, reviewing service agreements for the delivery of health services by private sector health care providers, rehabilitation of primary health care facilities, implementing the HCWMP through *inter alia* the provision of training, revision of existing health sector guidelines and development of occupational safety guidelines for health care workers, increasing accountability by publishing annual health budgets and performance data, assessing patient satisfaction with the quality of health service delivery, provision of technical support to District Councils, and increasing District staff motivation through the provision of incentives and the development of in-service training programs.

2. Household and Community Level Health Care

Scaling up and institutionalizing, at the District level, household and community level health care activities aimed at promoting the use of Vitamin A supplements, insecticide treated nets, and integrated management of childhood illness practices.

3. Health Sector Financing

Strengthening District planning and budgeting capacity, and reducing the financing gap, through the expansion and strengthening of community health and drug revolving funds, health insurance schemes, and the user fee collection capacity.

4. Equitable Access to Health Services

Monitoring the impact on the poor of charging health service delivery user fees, enforcement of user fee payment exemptions for the poor, and formulation of new resource allocation formulas for District health grants.

5. Mitigating the Impact of HIV/AIDS on District Health Staff

Provision of HIV/AIDS prevention, counseling and care, and development of human resource strategies to mitigate the impact of HIV/AIDS on District health staff.

Part B: Strengthening the Management of Secondary and Tertiary Hospital Care

Carrying out of Subprograms for:

1. Improving Hospital Management

Establishment of a hospital management cadre and of hospital boards, development of hospital strategic and operational plans and strengthening of hospital financial management systems.

2. Quality of Secondary and Tertiary Hospital Care

Rehabilitation and preventive maintenance of hospital facilities, hospital performance audits, and implementation of the HCWMP through inter alia the provision of training, revision of existing health sector guidelines and development of occupational safety guidelines for health care workers.

3. Mitigating the Impact of HIV/AIDS on Hospital Staff

Provision of HIV/AIDS prevention, counseling and care, and development of human resource strategies to mitigate the impact of HIV/AIDS on hospital staff.

Part C: Regional and National Level Support for Health Sector Improvements in Quality, Financing and Human Resources

Carrying out of Subprograms for:

1. Quality of Health Services:

Regional: Provision of managerial and technical support to Districts to assist in inter alia data collection, data management and decision-making, strengthening the District health inspectorate's capacity to supervise the delivery of health services, facilitating inter-District exchange of experiences and information, carrying out of performance audits and establishing a quality assurance program, including client satisfaction assessment.

2. MOH and PORALG: Carrying out of medical and clinical audits, harmonizing technical management guidelines and standards for health service delivery agreements, accreditation of public and private health institutions, consultations with civil society, and the development of comprehensive integrated sustainable quality assurance schemes at health delivery facilities.

3. Health Sector Financing:

Improved budgeting and resource allocation, pooling and management of external finances through the preparation of medium term expenditure frameworks and public expenditure reviews, strengthening of financing options for the delivery of health services by providing support to the CHF and drug revolving funds, strengthening NHIF through carrying out of advocacy and educational programs to expand its operations, improving its information management processes, including the processing of claims and data management, assessing the feasibility of expanding NHIF coverage to the private sector, introduction of security measures including new identity cards to reduce fraud, and rehabilitation of the NHIF office building, provision of training on contract management, and enhancing community voice and ownership in cost sharing schemes.

4. Human Resources:

Formulation and implementation of a long-term strategy to address the production, development, deployment, distribution, motivation and retention of staff , and improved utilization of zonal training centers.

5. HIV/AIDS:

Integration of HIV/AIDS activities into existing health services and the introduction and/or strengthening of prevention of mother to child transmission (PMTCT) and of highly active anti-retroviral therapy (HAART).

6. Monitoring and Evaluation:

Strengthening the capacity of Districts and hospitals to collect, analyze, interpret and report on a list of core indicators, referred to as the minimum information package, in order to assess the performance of the health sector.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provision shall apply to works to be procured under contracts awarded in accordance with the provision of paragraph 1 of this Part B.

Preference for domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. Limited International Bidding

Items such as vaccines, medical equipment and instruments, and anti-retroviral drugs may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding (NCB)

(a) Works estimated to cost less than \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International /National Shopping or IAPSO

Goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of international/national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines or from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Direct Contracting

Computer software and additional parts or components for specialized medical equipment and instruments may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Pharmaceuticals, medical supplies and equipment estimated to cost less than \$30,000 equivalent may be procured from the WHO and the United Nations Children's Fund in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

7. Community Participation:

Goods and works procured under the Part C.3 of the Project may be procured in accordance with the provisions of Section 3.15 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1. Such plan shall be updated on an annual basis during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval.

2. Prior Review

With respect to each contract for : (a) works estimated to cost the equivalent of \$500,000 or more; and (b) goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services that meet the requirements of paragraphs 3.8 through 3.11 of the Consultant Guidelines may, with the Association's prior agreement, be procured under contracts awarded on a single source basis.

4. Selection Under a Fixed Budget

Services may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

5. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated on an annual basis during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) 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 comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) Training programs prepared under the Project shall be furnished to the Association for its prior review and approval.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Section I: General Project Implementation

1. The Borrower shall implement the Program in accordance with the procedures set out in: (a) the PIP and the MOU, and except as the Association and the Donors shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association and the Donors, such amendment, abrogation, or waiver may materially and adversely affect the implementation of the Program; and (b) the HCWMP, and except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association, such amendment, abrogation, or waiver may materially and adversely affect the implementation of the Project.

2. The Permanent Secretary of the MOH, in close cooperation with the Permanent Secretary of the PORALG, shall be responsible for the overall coordination, monitoring, and supervision of activities under the Project, including, *inter alia*, overseeing the health sector policy reform, coordinating the Subprograms, and coordinating the assistance from Donors to the Program.

3. In order to facilitate implementation of the Project, the day-to-day monitoring and coordination of the Project shall be carried out by the Director of Health Policy and Planning of the MOH, in close cooperation with the Chief Medical Officer of the MOH and the Director of Local Government of PORALG.

4. The coordination and supervision of all accounting and financial matters under the Project shall be the responsibility of the Chief Accountant of the MOH. The coordination and supervision of the procurement of goods, works, and services financed under the Program, including the reviewing of procurement procedures and processes, shall be the responsibility of the MOH Director of Administration and Personnel. All professional accounting and procurement staff responsible for the implementation of the Project shall have terms of reference and qualifications satisfactory to the Association.

5. Basket Financing Committee

The Basket Financing Committee shall be responsible for: (a) reviewing and approving Subprograms to be financed from the Pooled Funds during the Annual Review; (b) agreeing on the level of Pooled Funds; (c) reviewing and approving the allocation and, if necessary, the reallocation of Pooled Funds; (d) reviewing and approving quarterly progress reports related to any activities financed by the Pooled

Funds; and (e) approving the release of the Pooled Funds from the US Dollar Holding Account for the following quarter.

6. The Borrower shall, commencing after the Effective Date, and not later than six weeks into every quarter of the Fiscal Year, or such later date as the Association may agree, furnish to the Basket Financing Committee for its approval the Subprogram activities to be financed through the Pooled Funds, to be carried out in the following quarter, modified in a manner satisfactory to the Basket Financing Committee, taking into account its comments and views on the matter.

7. US Dollar Holding Account

The Borrower shall open and maintain in BOT or another bank acceptable to the Association the US Dollar Holding Account into which the Pooled Funds will be deposited. The Pooled Funds shall be used exclusively for the purpose of the Program.

8. Performance Indicators and Annual Reviews

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed upon between the Borrower and the Association and set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out, jointly with the Association and the Donors, not later than March 31 of each year of Project implementation or such later date as may be agreed upon with the Association, an Annual Review, such review including but not limited to: (i) the progress made in meeting the Project's objectives and in the implementation of the HCWMP under the current Subprogram; (ii) overall Project performance to date as measured against the Project performance indicators referred to in paragraph 8 (a) above; and (iii) the review and approval of Subprograms to be financed from both Pooled and Non-Pooled Funds for the next Fiscal Year, such approval to be provided only if the Donors or the Association, as the case may be, shall have been satisfied with the progress made to date in the carrying out of the activities under the preceding Subprogram;

(c) the Borrower shall, at least two weeks prior to carrying out each Annual Review furnish to the Association: (i) the Subprogram for the next Fiscal Year referred to in paragraph 8 (b) above; and (ii) a report describing the general status of Project implementation including but not limited to items (i) and (ii) of paragraph 8 (b) above;

(d) The Borrower shall, prior to June 30 of each Fiscal Year, revise the Subprogram in a manner that is satisfactory to the Association and in accordance with the findings of the Annual Review, to facilitate the implementation of the said Subprogram in the upcoming Fiscal Year; and

(e) consolidate quarterly reports on the activities of the Project, financed through the Pooled Funds, not later than ten weeks after the end of each quarter, or such later date as the Association shall agree, and furnish reports to the Basket Financing Committee for its review and comments.

9. Procurement Audits

The Borrower shall: (a) not later than December 31 of each Fiscal Year, or such later date as the Association shall agree, furnish to the Association an audit report on the procurement of goods, works, and consultants' services carried out under the Project, prepared by independent auditors acceptable to the Association, selected in accordance with the provisions of Section II of Schedule 3 to this Agreement; and (b) implement the action plan agreed with the Association to improve the capacity of the Borrower to keep proper procurement records.

Section II: Subprograms/CHF Grants

Subprograms

1. Without limitation to the provisions of paragraphs 5, 6 and 8 of Section I to this Schedule, the Borrower shall for purposes of Subprograms financed from both the Pooled and Non-Pooled Funds:

(a) carry out, or cause to be carried out, each such Subprogram in a manner satisfactory to the Association in accordance with modalities and procedures approved by the Association, as set forth in the PIP; and

(b) not make any material change to the approved Subprogram without the prior approval of the Association.

CHF Grants

2. Eligibility Criteria for CHF Grants

No CHF Grant shall be eligible for financing out of the proceeds of the Credit or Grant, unless the Borrower has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the CHF Grant Manual, that the CHF Grant satisfies the eligibility criteria specified in the CHF Grant Manual, including, in particular, the following:

(a) the CHF Grant shall be for activities described in the Comprehensive Council Health Plan, including but not limited to small works and minor repairs of facilities; purchase of furniture, equipment, drugs and medical supplies; community-based preventative and health promoting activities; and training of community members and medical/clinical staff in the District;

(b) the CHF Grant shall be initiated by CHF Grant Beneficiaries for the benefit of the local communities living within the District; and

(c) the CHF Grant shall be in compliance with the standards set forth in the applicable laws of the Borrower relating to health, safety, and environmental protection, as well as the Association's applicable guidelines.

3. Terms and Conditions Regarding CHF Grants

Activities under the CHF Grants shall be carried out pursuant to CHF Grant Agreements, to be concluded between the Borrower and the legally established and authorized representative or representatives of the CHF Grant Beneficiaries, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(a) financing by the Borrower on a grant basis, with all CHF Grant Beneficiaries making a matching contribution as provided for in the CHF Grant Manual;

(b) the obligation to: (i) carry out the CHF Grants in accordance with the CHF Grant Manual, with due diligence and efficiency and in accordance with sound technical, financial, environmental, and managerial standards; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources, and expenditures in respect of the CHF Grants;

(c) the requirement that: (i) the goods, works, and services to be financed out of the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works, and services shall be used exclusively in the carrying out of activities to be financed by the CHF Grants;

(d) the right of the Borrower to inspect by itself, or jointly with the Association and the Donors, if the Association and the Donors shall so request, the goods, minor works, sites and plants included in the CHF Grants, the operations thereof, and any relevant records and documents;

(e) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operation, and financial condition of the CHF Grants; and

(f) the right of the Borrower to suspend or terminate the right of the CHF Grant Beneficiaries to use the proceeds of the Credit for the CHF Grants upon the failure by the CHF Grant Beneficiaries to perform any of their obligations under the relevant agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means categories 1, 2 and 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Financing allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to \$1,000,000, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000, until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR2,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower 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 the records and accounts for the Special Account;

- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

PERFORMANCE MONITORING INDICATORS

Monitoring the transition to the Poverty Reduction Support Credit (PRSC)

1. The gradual shift of IDA financing for health from the Adaptable Program Lending instrument to the PRSC is fully accommodated through an increase in the funds allocated by the Borrower to the health sector.
2. The procurement audits carried out under paragraph 9 of Section I of Schedule 4 to this Agreement do not raise any serious problems and report improvements in procurement performance by the Borrower in each Fiscal Year of Project implementation.
3. Annual Reviews assess the status of implementation of the HCWMP.

Results Indicators

4. The Borrower's health budget (inclusive of allocations to MOH, health block grants to Districts, the NHIF and Donor funds) has increased to the equivalent of \$9 per capita.
5. The proportion of births attended by a skilled health worker is increased from 47% to 55%.
6. At least 60% of patients seeking health care from a health facility are satisfied with the quality of the service provided.
7. The tuberculosis treatment completion or cure rate is increased from 80% to 85%.
8. The percentage of health facilities with designated malaria drugs in stock is increased from 25% to 50%.
9. Malnutrition (measured as weight for age) among children under five is decreased from 29% to 25%.
10. The percentage of children with a cough or fever who are taken for treatment in a health facility increases from 67.5% to 80%.

SCHEDULE 7

Modifications to the General Conditions

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

1. Section 1.01 is amended to read:

“These General Conditions set forth certain terms and conditions generally applicable to development financing granted by the Association as a development credit and development grant to its members. They apply to any development financing agreement providing for any such development finance to the extent and subject to any modifications set forth in such agreement.”

2. Paragraph 8 of Section 2.01 is amended to read as follows:

8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement.

3. The following new paragraphs are added to Section 2.01:

15. “Grant” means the development grant provided for in the Development Financing Agreement.”;

16. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited.”;

17. “Financing” means, collectively, the Credit and the Grant.

18. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).

4. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing”: Sections 2.01(3), 2.01(12), 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01(d), Article VIII, and Article IX.

5. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing Accounts”: Section 2.01(6), 4.01, Article V, Article VI, and Section 12.03.

6. The term “Development Credit Agreement”, wherever used in the General Conditions, is amended to read the Development Financing Agreement.

7. Section 3.01 is modified to read as follows:

“Section 3.01. *Financing Accounts*. The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

8. The phrase “(including any development financing agreement or development grant agreement)” is added to Section 6.02 (a) (ii) after the words “any development credit agreement” and before the words “between the Borrower and the Association”, to Section 6.02(c)(i) after the words “any development credit agreement” and before the words “with the Association”, and to Section 7.01 (b) (i) after the words “any other development credit agreement” and before the words “between the Borrower and the Association”:

9. Section 6.05 is amended to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”

10. Paragraph (c) of Section 9.06 is modified to read as follows:

(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the

Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Financing Agreement and the accomplishment of the purposes of the Financing.