

**CONFORMED COPY**

**GRANT NUMBER H248-MAI**

# **Financing Agreement**

**(Additional Financing for the Health Sector Support Project)**

**between**

**REPUBLIC OF MALAWI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 5, 2006**

**GRANT NUMBER H248-MAI**

**FINANCING AGREEMENT**

AGREEMENT dated October 5, 2006, entered into between REPUBLIC OF MALAWI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

**ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions, the Original Financing Agreement, or in the Appendix to this Agreement.

**ARTICLE II – FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to three million five hundred thousand Special Drawing Rights (SDR 3,500,000) (“Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”). The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.02. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.03. The Payment Dates are March 15 and September 15 in each year.
- 2.04. The Payment Currency is the Dollar.

**ARTICLE III – PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Health in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient

shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV – EFFECTIVENESS; TERMINATION**

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

**ARTICLE V – REPRESENTATIVE; ADDRESSES**

5.01. The Recipient’s Representative is the Minister of Finance.

5.02. The Recipient’s Address is:

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

Cable:	Telex:	Facsimile:
FINANCE Lilongwe	44407(MI)	(265)1789173

5.03. The Association’s Address is:

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

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

AGREED at Lilongwe, Republic of Malawi, as of the day and year first above written.

**REPUBLIC OF MALAWI**

**By /s/ Goodall E. Gondwe**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Timothy R. Gilbo**

**Authorized Representative**

## SCHEDULE 1

### Project Description

The objective of the Project is similar to that of the Original Project, namely, 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 Original Project and the following additional activities related to Parts A and C of the Original Project:

#### Part A: Quality of Health Care Services

Carrying out of Subprograms to assist the Recipient in the delivery of the EHP through the design and implementation of a robust and sustainable monitoring and evaluation system by inter alia:

- (a) improving the Recipient's management of malaria control interventions;
- (b) using malaria outcomes as a proxy indicator to monitor changes in the quality and coverage of the delivery of the EHP; and
- (c) strengthening the Recipient's monitoring and management of the health sector at central government and District levels through inter alia:
  - (i) *central government level*: (A) restructuring the Recipient's current health management information system unit (HMIS Unit) into a monitoring and evaluation unit (Monitoring and Evaluation Unit) within the Ministry of Health; (B) improving the Recipient's capacity to consolidate and disseminate data; (C) strengthening the capacity of the Recipient's Ministry of Health to use monitoring and evaluation data for policy formulation, planning and resource mobilization; (D) measuring of key health outcomes of the malaria program and other programs such as the integrated management of childhood illness, and maternal and neonatal health; and (E) carrying out of selected studies and surveys including impact evaluations to assess the Recipient's health sector's key outcome indicators; and
  - (ii) *District level*: (A) strengthening community and health facility level data collection; (B) supporting District monitoring and evaluation teams and the current zonal and District review system; and (C) strengthening the capacity of the Recipient's Districts to use monitoring and evaluation data for policy formulation, planning and resource mobilization.

Part B: Strengthening Health Support and Referral Systems

Carrying out of Subprograms to assist the Recipient in the delivery of the EHP through strengthening its physical, financial, technical and human monitoring and evaluation capacity at the central government and District level by inter alia:

(a) *central government level*: improving the institutional capacity of the Recipient's Ministry of Health to carry out monitoring and evaluation activities including: (i) carrying out of a comprehensive analysis of the Recipient's physical, financial, technical and human monitoring and evaluation capacity to identify HMIS resource gaps; (ii) providing technical support and piloting of information technology tools; (iii) developing a logistics management information system assessment and quality assurance procedures; (iv) carrying out health facility assessments; and (v) carrying out staff training programs.

(b) *District level*: strengthening the District and zonal capacity to carry out a decentralized monitoring and evaluation system including: (i) establishment of District monitoring and evaluation technical leadership teams; (ii) carrying out of staff training programs; (iii) adaptation, distribution and use of data management tools; (iv) provision of operational support including equipment and adequate human resources for health programs; and (v) harmonization of data collection activities.

## SCHEDULE 2

### Project Execution

#### **Section I. Subsidiary Financing; Institutional and Other Arrangements**

##### **A. Incorporation of Schedule 4 of the Original Financing Agreement**

1. Schedule 4 to the Original Financing Agreement is incorporated into this Agreement, as set forth therein.

##### **B. Other Institutional Arrangements**

2. Monitoring and Evaluation Unit. The Recipient shall restructure its HMIS Unit into the Monitoring and Evaluation Unit by July 1, 2007, with the responsibility for overall coordination of monitoring and evaluation activities. Without limitation to the generality of the foregoing, the Recipient shall ensure that: (a) the Monitoring and Evaluation Unit is staffed by at least four professional staff with terms of reference, qualifications and experience that are satisfactory to the Association; and (b) the said Unit is supported by such technical assistance as shall have been agreed with the Association, including without limitation, one internationally recruited consultant.

#### **Section II. Project Monitoring, Reporting, Evaluation**

##### **A. Project Reports.**

- (a) The Recipient shall monitor and evaluate the progress of the Project set forth in Schedule 1 of this Agreement and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph agreed with the Association. For the avoidance of doubt, the Project Reports prepared shall be consistent with those prepared for the Original Project under Section 4.02 and paragraph 11 (b) (iii) of Section IV of Schedule 4 to the Original Financing Agreement, respectively.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) proportion of mortality attributable to malaria;
  - (ii) proportion of morbidity attributable to malaria;
  - (iii) mortality from all causes among children under five years;

- (iv) number of staff trained in monitoring and evaluation;
- (v) proportion of health facilities that undertake monitoring and evaluation activities and prepare reports in accordance with the Recipient's monitoring and evaluation guidelines;
- (vi) proportion of children under five years and pregnant women diagnosed with severe malaria and receiving correct anti-malaria treatment in a timely manner in accordance with the Recipient's national treatment guidelines;
- (vii) Proportion of febrile children under five years receiving correct anti-malaria treatment within twenty-four hours of acquiring symptoms;
- (viii) percentage of households with at least one insecticide treated net;
- (ix) percentage of mosquito nets that have been treated with insecticide at least once in each year of Project implementation following the Effective Date of this Agreement;
- (x) percentage of children under five years of age sleeping under insecticide treated nets;
- (xi) percentage of pregnant women sleeping under insecticide treated nets; and
- (xii) percentage of pregnant women attending antenatal care receiving intermittent presumptive treatment in accordance with the Recipient's national malaria policy.

**B. Financial Management, Financial Reports and Audits.**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association. For the avoidance of doubt, the interim un-audited reports referred to are the same report as the Financial Monitoring Report referred to in Section 4.02 of the Original Financing Agreement.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

**Section III. Procurement**

Schedule 3 to the Original Financing Agreement is incorporated into this Agreement, as set forth therein.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General.**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
Subprograms	3,500,000	Such percentage of Eligible Expenditures as the Association may determine for each Fiscal Year
<b>Total Amount</b>	<b><u>3,500,000</u></b>	

2. The Closing Date is September 15, 2008.

## **APPENDIX**

### **Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
3. “Original Financing Agreement” means the Development Grant Agreement for a Health Sector Support Project between the Recipient and the Association, dated February 7, 2005 as amended (Grant No. H1380 MAI).
4. “Original Project” means the project described in the Original Financing Agreement.