

CONFORMED COPY

CREDIT NUMBER 4345-GH

Financing Agreement

(Health Insurance Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 8, 2007

CREDIT NUMBER 4345-GH

FINANCING AGREEMENT

AGREEMENT dated August 8, 2007, entered into between the REPUBLIC OF GHANA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01 The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ten million Special Drawing Rights (SDR 10,000,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02 The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03 The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05 The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Project Implementing Entity, in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension is that the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity; and
 - (b) the Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.
- 5.02. The Additional Legal Matter is that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Planning
P.O. Box MB40
Accra, Ghana

Cable:	Telex:	Facsimile:
ECONOMICON Accra	2205 MIFAEP GH `	233-21-667069 233-21-663854

6.03. The Association's Address is:

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

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

AGREED at Accra, Republic of Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Kwadwo Baah-Wiredu

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mats Karlsson

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the financial and operational management of the NHIS by improving: (i) the policy adaptation and implementation capacity of the NHIC; and (ii) the purchasing function of the DMHIS and the billing function of Providers.

The Project consists of the following Parts:

A. Enabling Environment for NHIS Implementation

1. Carrying out of workshops, meetings and other activities to promote coordination among the institutions involved in the oversight and implementation of the NHIS, including the provision of technical advisory assistance to strengthen the functioning of the IASC.
2. Provision of technical advisory assistance to the NHIC to develop its capacity in Project management, procurement and financial management.
3. Development and implementation of a communication strategy to increase the awareness of, and channel feedback from, stakeholders and the public concerning health insurance system changes and processes, including the design of a performance reward program for the Providers and the DMHIS.
4. Standardization of fee schedules and medicines lists of the NHIS, including the carrying out of costing studies and monitoring and evaluation of the cost structure and pharmaceutical utilization to inform future price adjustments.
5. Development of performance-based health care provider payment mechanisms and other policy adaptations to support the implementation of such mechanisms.
6. Carrying out of workshops, meetings and other activities to promote coordination of the activities of donor agencies supporting the NHIS.
7. Development of routine auditing and case disposition policies and systems to help the NHIC, the DMHIS and the Providers prevent, identify and handle instances of health insurance fraud and abuse.

B. Financial and Operational Management Technology

1. Carrying out of a rapid needs assessment and development of ICT strategic plans for the Providers to fill technical gaps and optimize the Providers' interface with the NHIC's ICT network platform.

2. Implementation of the ICT strategic plans of the Providers by equipping them with necessary technical hardware, network connectivity and alternative energy generating sources, including introductory staff training, technical support and maintenance.
3. Development, licensing and installation of software for the integration of the Providers' front-office and back-office systems, including introductory staff training, technical support and maintenance.

C. Financial and Operational Management Training

1. Carrying out of an assessment of the technical and managerial capacity of the NHIC, the DMHIS and the Providers, and development of a capacity upgrading training strategy and program.
2. Provision of management education and training for senior staff in the MOH, the NHIC, the DMHIS and the Providers in accordance with the training strategy and program developed under Part C.1 of the Project.
3. Training of core ICT teams to provide continuing support to the Providers in the use of the NHIC's ICT network and the Providers' ICT tools in accordance with the training strategy and program developed under Part C.1 of the Project.
4. Development of the capacity of the NHIC, the DMHIS and the Providers in data collection and monitoring for health care utilization, and development of the NHIC's capacity in actuarial analysis, both in accordance with the training strategy and program developed under Part C.1 of the Project.
5. Provision of financial management training for staff in the MOH, the NHIC, the DMHIS and the Providers in accordance with the training strategy and program developed under Part C.1 of the Project.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements****1. Inter-Agency Steering Committee**

- (a) The Recipient shall, through the MOH, maintain at all times during the implementation of the Project the IASC with functions, composition and resources satisfactory to the Association.
- (b) Without limitation upon the provision of paragraph 1(a) of this Part A, the IASC shall be chaired by a representative of the MOH and comprise representatives of the NHIC, the DMHIS and the Providers, and shall be responsible for, *inter alia*, overseeing the policy adaptations supported by the Project and making recommendations for the efficient implementation of the Project.

2. National Health Insurance Council

- (a) The Recipient shall maintain, at all times during the implementation of the Project, the NHIC as the Project Implementing Entity with functions, composition and resources satisfactory to the Association.
- (b) Without limitation upon the provision of paragraph 2(a) of this Part A, the NHIC shall be responsible for the overall implementation, procurement, financial management, monitoring and evaluation of the Project.

B Subsidiary Agreement

- 1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association, which shall include the following:
 - (a) The proceeds of the Financing shall be made available to the Project Implementing Entity on non-reimbursable grant terms;

- (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Project Implementing Entity to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Financing then withdrawn, upon the Project Implementing Entity's failure to perform any of its obligations under the Subsidiary Agreement; and (ii) require the Project Implementing Entity to: (A) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Recipient and the Association; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods and services to be financed out of the Financing in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Recipient and the Association, the progress of the Project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Recipient and the Association, in accordance with consistently applied auditing standards acceptable to the Recipient and the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;
 - (c) Except as the Association shall otherwise agree, the Recipient and the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions; and
 - (d) In the event of any conflict between the Subsidiary Agreement and the Financing Agreement or the Project Agreement, the Financing Agreement or the Project Agreement, as the case may be, shall prevail.
- 2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions. In case of any conflict between the Subsidiary Agreement and this Agreement, the latter shall prevail.

C. Project Implementation Manual

1. The Recipient shall cause the Project Implementing Entity to adopt a PIM in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation, reporting and communication; and (v) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
2. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

D. Annual Work Plan

Not later than November 1 of each year during the implementation of the Project, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association an Annual Work Plan, in form and substance satisfactory to the Association, detailing the Project activities and Eligible Expenditures planned for the following Fiscal Year, and which shall inform the annual program of work of the MOH.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall ensure that the progress of the Project is monitored and evaluated and that Project Reports are prepared in form and substance satisfactory to the Association, in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one Fiscal Year, and shall be furnished to the Association not later than three months after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following (with end targets set to be achieved by the Closing Date):

- (i) the percentage amount of total claims not paid within the statutory time period (30 days) due to delays caused by suspected error, abuse and fraud decrease to at least 15%;
 - (ii) policies adapted and plans for implementation developed to address issues related to contribution collection, risk equalization, and provider payment mechanisms;
 - (iii) at least 70% of the number of total bills submitted by the beneficiary Providers are submitted electronically;
 - (iv) at least 80% of the number of electronically submitted bills are paid to the beneficiary Providers within 30 days;
 - (v) the number of members whose entitlement to benefits can be validated through electronic verification by beneficiary Providers reaches at least 80% of the total number of members; and
 - (vi) a human resources training plan is developed and executed.
2. On or about the date thirty six (36) months after the Effective Date, the Recipient shall undertake in conjunction with the Association and the Project Implementing Entity a comprehensive midterm review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under the Financing Agreement and the performance by the Project Implementing Entity of its obligations under the Project Agreement, having regard to the performance indicators referred to in paragraph 1 (b) of this Part A.

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 ensure that interim un-audited financial reports for the Project covering each calendar quarter, in form and substance satisfactory to the Association, are prepared and furnished to the Association not later than forty-five days (45) after the end of each such quarter.
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. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods in the circumstances specified in the Procurement Plan for each such method: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Direct Contracting; and (d) Shopping.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services in the circumstances specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of

Individual Consultants; and (g) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance 100% (inclusive of Taxes) of Eligible Expenditures consisting of goods, consultants' services including audits, and Training, as specified in the Annual Work Plan and Budget.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 130,000 may be made for payments made for Eligible Expenditures prior to this date but on or after June 1, 2007.
2. The Closing Date is December 31, 2012.

Section V. Other Undertakings

A. Appointment of Financial Auditors

The Recipient shall cause the Project Implementing Entity, not later than six months after the Effective Date, to appoint the independent auditors referred to in Section 4.09(b) of the General Conditions, in accordance with the provisions of Section III of this Schedule.

B. Procurement Audits

1. The Recipient shall cause the Project Implementing Entity, not later than six months after the Effective Date, to put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors in

accordance with Section III of Schedule 2 to this Agreement, with qualifications, experience and terms of reference acceptable to the Association, for reviewing the procurement of goods and consultants' services financed under the Project, including the reviewing of procurement procedures and processes.

2. The Recipient shall cause the Project Implementing Entity, not later than three months after the end of each Fiscal Year or such later date as the Association may agree, to furnish to the Association an audit report on the procurement of goods and consultants' services carried out under the Project, prepared by the said independent procurement auditors.

C. Actuarial Balance

The Recipient shall maintain, at all times during the implementation of the Project, a positive five year forward looking actuarial balance on the NHIS.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing July 15, 2017 to and including January 15, 2027	1%
commencing July 15, 2027 to and including January 15, 2047	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Definitions**

1. “Annual Work Plan” means the plan referred to in Section I.D of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “DMHIS” means the District Mutual Health Insurance Schemes of the Recipient established and operating under the Recipient’s National Health Insurance Act, 2003 (Act 650).
4. “Fiscal Year” means the Recipient’s and the Project Implementing Entity’s fiscal year commencing January 1 and ending December 31 of each year.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
6. “IASC” means the Inter-Agency Steering Committee referred to in Part A.1 of Schedule 2 to this Agreement.
7. “ICT” means information and communication technologies.
8. “MOH” means the Recipient’s Ministry of Health.
9. “NHIC” means the National Health Insurance Council established and operating under the Recipient’s National Health Insurance Act, 2003 (Act 650).
10. “NHIF” means the National Health Insurance Fund administered by the NHIC and operating in accordance with the Recipient’s National Health Insurance Act, 2003 (Act 650).
11. “NHIS” means the national health insurance scheme regulated by the Recipient’s National Health Insurance Act, 2003 (Act 650).
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 25, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. “Project Implementing Entity” means the NHIC.
15. “Project Implementing Entity’s Legislation” means the Recipient’s National Health Insurance Act, 2003 (Act 650).
16. “PIM” means the Project Implementation Manual referred to in Section I.C.1 of Schedule 2 to this Agreement.
17. “Providers” means the health care providers established, accredited and operating in the territory of the Recipient pursuant to the laws of the Recipient.
18. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
19. “Training” means the costs associated with the training of personnel involved in Project supported activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.