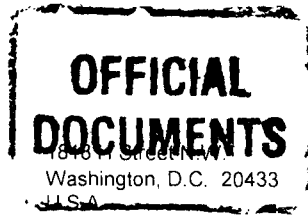


The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

TF 016540

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

September 1, 2014

H. E. Saada Mkuya Salum
Minister of Finance
Ministry of Finance
P. O. Box 9111
Dar es Salaam
United Republic of Tanzania

Tanzania: HRBF Grant for the Preparation of Proposed Additional
Financing for the Tanzania Basic Health Services Project
(Grant No. TF016540)

Honorable Minister Salum:

In response to the request for financial assistance made on behalf of the United Republic of Tanzania ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Multi-donor Trust Fund ("MDTF") for Health Results Innovation, proposes to extend to the Recipient a grant in an amount not to exceed eight hundred fifty thousand United States Dollars (US\$850,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

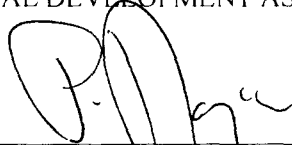
This Grant is funded out of the above-mentioned MDTF for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the above-mentioned MDTF, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within sixty (60) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

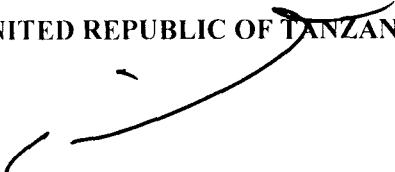
INTERNATIONAL DEVELOPMENT ASSOCIATION



Philippe Dongier
Country Director for Tanzania
Africa Region

AGREED:

UNITED REPUBLIC OF TANZANIA

By 
Authorized Representative

Name Dr. S.B. LIKWELILE

Title PERMANENT SECRETARY

Date: 12-09-2014

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “Beneficiary” or “Beneficiaries” means an entity to which or for whose benefit a Results-Based Payment is made or proposed to be made out of the proceeds of the Grant and which is a party to a Results-Based Payments Agreement.

(b) “MOHSW” means the Recipient’s Ministry of Health and Social Welfare.

(c) “Operating Costs” means the incremental expenses incurred on account of Project implementation, supervision, monitoring and evaluation, including office equipment and supplies, reasonable commercial banking charges and fees, operation and maintenance of offices, office equipment and vehicles, communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs and salaries of locally contracted employees, excluding salaries of civil servants.

(d) “POMRALG” means the Recipient’s Prime Minister’s Office Regional Administration and Local Government or any successor thereto.

(e) “RBF Operations Manual” means the RBF Operations Manual, acceptable to the World Bank, setting forth the rules, methods, guidelines, specific development plans, standard documents and procedures to be maintained for the purpose of carrying out activities under Section 2.01 (c) of the Project, including the eligibility criteria and procedures for the carrying out of Results-Based Payments under Section 2.01 (c) of the Project. “RBF Operation Manual” includes all annexes to said manual and its amendments, provided that they have been previously approved by the World Bank.

(f) “RBF” means Results Based Financing.

(g) “RBF Program” means the Recipient’s program for the delivery of primary health care services including a program of monitoring and supervision activities by selected central, regional and local government authorities.

(h) “Results-Based Payments” means a payment made or proposed to be made out of the proceeds of the Grant in support of the activities carried out under Section 2.01 (c) of this Agreement.

(i) “Results-Based Payments Agreement” means any of the agreement(s) referred to in Section 2.03 (h) of this Agreement.

(j) "Training" means expenditures (other than those for Consultants' Services) incurred by the Recipient to finance: (a) reasonable travel, room, board and *per diem* expenditures as incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to support the Recipient in the preparation of the proposed additional financing for the Tanzania Basic Health Services Project ("Proposed Project").

The Project consists of the following parts:

(a) Preparing the RBF Operations Manual for the implementation of the Proposed Project containing detailed administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements which shall include, *inter alia*: (i) the description of the Proposed Project, indicators, institutional arrangements for the program; (ii) mechanisms for determining the readiness criteria, (iii) the terms and conditions of Results-Based Payment Agreements to be entered into with the eligible Beneficiaries for carrying out such interventions; (iv) the monitoring and evaluation procedures and measures required to ensure the proper implementation of the Proposed Project, including the format of reports and verification methods of the results of such interventions; all through the provision of goods, services, and Training.

(b) Providing technical assistance and Training to the team or professionals, Beneficiaries, staff working in the health sector and other related agencies who shall be involved in the implementation of the Proposed Project.

(c) Carrying out Results-Based Payments on a pilot basis in selected areas of the Proposed Project to finalize the implementation arrangements for the use of Results-Based Payments for primary care services.

(d) Carrying out an assessment of the supply side requirements for primary care services with a focus on maternal and child health and nutrition services.

(e) Developing communication activities and conducting stakeholders' workshops to inform the public about the Proposed Project.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out: (i) parts 2.01 (a) and (d) of the Project through MOHSW; and (ii) parts 2.01 (b), (c), and (e) of the Project through PMORALG, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the RBF Operations Manual.

2.03. ***Institutional and Other Arrangements.*** (a) For the purpose of carrying out the Project, the Recipient shall maintain throughout the duration of the Project a team of professionals in

adequate numbers and with qualifications, experience and terms of reference satisfactory to the World Bank. The functions of the said team shall include, inter alia: (i) ensuring coordination and communication with all entities involved in implementing contracts, including technical units of the MOHSW and PMORALG at central and decentralized levels; (ii) administering the Results-Based Payments Agreements; (iii) ensuring payment to Beneficiaries upon verification of agreed results in a timely manner to avoid service interruption; and (iv) monitoring and evaluation of performance of the Beneficiaries and identification of implementation bottlenecks and corresponding solutions.

(b) For the purpose of carrying out activities under Section 2.01 (c) of the Project, the Recipient shall prepare in accordance with terms of reference acceptable to the World Bank and furnish to the World Bank for its approval a manual (“RBF Operations Manual”) containing detailed administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements for the activities under Section 2.01 (c) of the Project.

(c) Without limitation upon the foregoing, said manual shall include, *inter alia*, a detailed elaboration of:

- (i) (A) the schedule of Results-Based Payments which shall be calculated on the basis of a methodology acceptable to the World Bank and designed to ensure that the Results-based Payments: (aa) do not exceed the reasonable unit cost of the services to be provided; and (bb) are scaled to reflect the quality of the service delivered, the conditions of the locations where the services are to be provided;
- (B) the procedures and methodology for the evaluation and updating of the Results-Based Payments;
- (C) the eligibility criteria for, and terms and conditions of, Results-Based Payments Agreements; and
- (D) the procedures for monitoring and evaluation of Results-Based Payments Agreements; and
- (ii) the procedures and criteria for development and delivery of Training under Section 2.01 (c) of the Project.

(d) The Recipient shall exchange views with the World Bank on the RBF Operations Manual; and thereafter adopt the RBF Operations Manual as shall have been approved by the World Bank.

(e) The Recipient shall:

- (i) ensure that the activities under Section 2.01 (c) of the Project are carried out in accordance with the RBF Operations Manual, as the same may be updated from time to time with the prior written agreement of the World Bank;

- (ii) without limitation upon the foregoing, not later than three (3) months after countersignature: (i) prepare, in accordance with terms of reference satisfactory to the World Bank and elaborated in the RBF Operations Manual, and furnish to the World Bank for its review, an evaluation of the Results-Based Payments and recommendations of any adjustment required to be made to the Results-Based Payments to ensure that they continue to comply with the criteria set forth in Section 2.03 (c) of this Agreement; (ii) afford the World Bank a reasonable opportunity to exchange views with the Recipient on each said evaluation and recommendation; and (iii) adopt and apply such adjusted Results-Based Payments as shall have been approved by the World Bank under Results-Based Payments Agreements awarded after said date; and
- (iii) not otherwise revise or waive any provision of the RBF Operations Manual without the prior written agreement of the World Bank.

(f) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the RBF Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

(g) The Recipient shall approve applications for Results-Based Payments, in accordance with the provisions of this Section and the RBF Operations Manual. No proposed Beneficiary shall be eligible for financing under Section 2.01 (c) of the Project unless, on the basis of a review conducted in accordance with this Section 2.03 (g) of this Agreement and the RBF Operations Manual, the proposed Beneficiary is deemed to satisfy the eligibility criteria specified below and in further detail in the RBF Operations Manual, which shall include the following:

- (A) the proposed Beneficiary is a public or non-profit health service provider carrying out the primary health care services (or a unit within the MOHSW or PMORALG involved in the supervision of the Project);
- (B) the proposed primary care services and related activities under the RBF Program are consistent with the relevant sectoral, environmental, and social standards and policies; and
- (D) the Beneficiary has put in place all necessary arrangements, including financial and human resources, for the management of the Results-Based Payments.

(h) The Results-Based Payments shall be made out pursuant to a Results-Based Payments Agreement, to be concluded between the Recipient and the respective Beneficiary, under terms and conditions described or referred to in more detail in the RBF Operations Manual, in manner and substance satisfactory to the World Bank.

(i) The Recipient, shall exercise its rights and carry out its obligations under each Results-Based Payments Agreement in such manner as to protect its interests and those of the World Bank and to accomplish the purposes of the Results-Based Payment, and, except as the World Bank shall otherwise agree, the Recipient, shall not assign, amend, abrogate, or waive, or

permit to be assigned, amended, abrogated, or waived, the Results-Based Payments Agreements, or any of their provisions.

(j) The Recipient shall, appoint in accordance with the provisions of Section 2.06 of the Annex to this Agreement, and thereafter maintain throughout the duration of the Project implementation, an independent verification agency, with qualifications, experience, and terms of reference satisfactory to the World Bank, for purposes of the third-party verification of the Results-Based Payments to be carried out under Section 2.01 (c) of the Project.

(k) The Recipient shall cause said agency to carry out, throughout Project implementation, quarterly verification exercises of the Results-Based Payments , including community and focus group surveys, Beneficiary spot checks, verification of data provided and records kept by Beneficiaries in relation to the Results-Based Payments under the RBF Program, and assessments of the quality of health services provided under such Activities, in accordance with the provisions of the RBF Operations Manual.

2.04. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.05. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have the Project Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

2.06. *Procurement*

(a) General. All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

- (i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods;
- (ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and
- (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding.
- (ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants' Services

- (i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- (ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Single-source Selection of consulting firms; (B) Selection based on Consultants' Qualifications; and (C) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III
Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Consultants' services, Training, and Operating Costs for parts 2.01 (a) and (d) of the Project	400,000	100%
(2) Goods, Consultants' services, Training, and Operating Costs for parts 2.01 (b), (c), and (e) of the Project	150,000	100%
(3) Results-Based Payments under part 2.01 (c) of the Project	300,000	100%
TOTAL AMOUNT	850,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient; and

(b) under Category (3) until and unless the Recipient shall have: (i) submitted to the World Bank the RBF Operations Manual satisfactory in form and in substance to the World Bank; and (ii) appointed the independent verification agency referred to in Section 2.03 (j) of the Annex to this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 15, 2015.

Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions 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