

**CONFORMED COPY**

---

---

**CREDIT NUMBER 4052-BD**

# **Development Credit Agreement**

**(Health, Nutrition and Population Sector Program)**

**between**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated May 17, 2005**

---

---

**CREDIT NUMBER 4052-BD**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated May 17, 2005, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Borrower is carrying out: (i) a plan for developing health, nutrition and population sector in its territory, consisting of a Strategic Investment Plan for fiscal years 2003-2010, (ii) a Health, Nutrition and Population Program Proposal (Preliminary Document) based thereon, including policy and reform framework, strategies and activities, and (iii) an Investment Plan for July 2003–June 2010 period, including performance indicators, priorities for investments and capacity building (hereinafter collectively referred to as the Health, Nutrition and Population Sector Program “HNPSP”);

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

(C) the Borrower intends to obtain from the United Kingdom Department for International Development (DFID), the European Commission (EC), the Government of the Netherlands (Dutch Fund), the Swedish International Development Agency (Sida), the Canadian International Development Agency (CIDA), and the United Nations Population Fund (UNFPA) (collectively referred to as the Pooling Development Partners), grants in various currencies, to be administered by the Association, in an approximate amount equivalent to four hundred sixty million dollars (\$460,000,000) to assist in financing part of the HNPSP (the Cofinancing Funds); provided that such Pooling Development Partners may also include any other national or international agency contributing funds for the HNPSP;

(D) the Borrower further intends to contract from the German Technical Cooperation (GTZ), the German Agency for Reconstruction (KfW), the Japan International Cooperation Agency (JICA), the United States Agency for International Development (USAID), the United Nations Children's Fund (UNICEF), and the World Health Organization (WHO) (collectively referred to as the Non-pooling Development Partners), loans or grants in an approximate amount equivalent to three hundred and eighty million dollars (\$380,000,000) (the Non-pooling Development Partners' Funds) to assist in financing part of the HNPSP on the terms and conditions set forth respectively in an agreement to be entered into between the Borrower and each of the Non-pooling Development Partners (the Non-pooling Development Partners' Funds Agreement); provided that such Non-pooling Development Partners may also include any other national or international agency contributing funds for the HNPSP;

(E) the Pooling and Non-pooling Development Partners referred to in (C) and (D) above, the Association (hereinafter collectively referred to as Development Partners) and the Borrower intend to enter into a Partnership Arrangement, making arrangements for the processing of applications for withdrawal of the proceeds of the financing to be provided severally by the Development Partners, and the Association and regulating other matters of common interest in connection with such financing (the Common Procedures); and

WHEREAS (F) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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 May 2004) (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) “Affected Person” means a person who, on account of the acquisition of land for purposes of construction of health facilities under the HNPS, had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and “Affected Persons” means, collectively, all persons who qualify as an Affected Person;

(b) “Bangladesh Bank” means the Central Bank of the People’s Republic of Bangladesh established under Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) as amended to the date of this Agreement;

(c) “DGHS” means Directorate General of Health Services, within MOHFW (as hereinafter defined);

(d) “DGFP” means Directorate General of Family Planning, within MOHFW;

- (e) “DOTS” means Directly Observed Treatment-Short Course;
- (f) “EDPT” means Early Diagnosis and Prompt Treatment;
- (g) “Eligible Categories” means Categories (1) through (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- (h) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 (a) of this Agreement;
- (i) “Environmental Management Plan” or “EMP” means the Environmental Assessment and Action Plan of November 2004, prepared by the Borrower, which includes, inter alia, the set of mitigation, enhancement, monitoring, environmental guidelines and institutional measures, satisfactory to the Association, to be taken by the Borrower during implementation of the HNPS to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;
- (j) “ESD” means Essential Services Delivery, a set of health services which provide maternal and child care interventions, including reproductive health care, communicable disease control, and limited curative care;
- (k) “FMR” means Financial Monitoring Report, each report prepared in accordance with Section 4.02 of this Agreement;
- (l) “Forex Account” means the foreign exchange account referred to in Section 2.02(b) of this Agreement;
- (m) “Fiscal Year” or “FY” means the Borrower’s Fiscal Year, covering a twelve-month period beginning July 1 and ending June 30 of the following year;
- (n) “HIV/AIDS” means Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome;
- (o) “Health Care Waste Management Plan” or “HCWMP” means the plan developed by the Borrower for the management of health care waste at the facility level, including segregation, storage and final disposal;
- (p) “HNP Forum” means the Forum, referred to in paragraph 2(a) of Schedule 4 to this Agreement;
- (q) “HNPS Implementation Manual” means the Borrower’s manual of February 2005, referred to in paragraph 3(d) of Schedule 1 to this Agreement, containing the terms and conditions and procedures to be applied in the carrying out of specific

activities under the HNPSP, as such manual may be amended from time to time in agreement with the Association;

(r) “Implementing Agency” means any public, private or non-public entity, established under the laws of the Borrower, which shall receive funds from the Borrower, to implement activities under the HNPSP;

(s) “ITMN” means Insecticide Treated Mosquito Nets;

(t) “LGED” means the Local Government Engineering Department of the Local Government Division of the MLGRDC (as hereinafter defined), and includes any successor thereto;

(u) “MCWC” means Maternal and Child Welfare Center;

(v) “MLGRDC” means the Borrower’s Ministry of Local Government, Rural Development and Cooperatives;

(w) “MOHFW” means the Borrower’s Ministry of Health and Family Welfare, and includes any successor thereto;

(x) “MOF” means the Borrower’s Ministry of Finance, and includes any successor thereto;

(y) “MSA” means the Management Support Agency for diversification of service provision, to be employed by the Borrower to manage the contracting, monitoring and financing of non-government and private providers;

(z) “NCD” means non-communicable diseases;

(aa) “Operation Plan” or “OP” means an operation plan for the HNPSP to be updated and carried out in each Fiscal Year, as agreed upon between the Borrower, the Association, and the Pooling Development Partners and prepared and approved in accordance with paragraph 3 of Schedule 4 to this Agreement;

(bb) “Partnership Arrangement” or “PA” means the Partnership Arrangement to be entered into by the Borrower and the Development Partners providing for common procedures on procurement, disbursement, cooperation and exchange of information for the implementation of the HNPSP;

(cc) “PSO” means the Program Support Office, to be established by MOHFW, pursuant to paragraph 7 of Schedule 4 to this Agreement, for the purpose of assisting MOHFW in the implementation and coordination of different activities under the HNPSP;

(dd) “Pooled funds” means, collectively, the funds provided by the Pooling Development Partners and the Association and kept in a common pool to be managed by MOHFW;

(ee) “Procurement Plan” means the Borrower’s procurement plan, dated December 8, 2004, covering the initial 18 month period (or longer) of HNPSP implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of HNPSP implementation;

(ff) “Procurement Regulations” means the Borrower’s Public Procurement Regulations of October 1, 2003, published in the Borrower’s Gazette, as amended, and which is to be complied with, inter alia, in the carrying out of the HNPSP;

(gg) “Program Implementation Plan” or “PIP” means the Program Implementation Plan describing the program of actions, objectives and policies designed to implement activities under the Borrower’s HNP Strategic Investment Plan (2003-2010);

(hh) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(ii) “Tribal Healthcare Plan” or “THP” means the plan developed by the Borrower after detailed consultations with tribal population, health service providers, NGOs and other stakeholders to meet the specific health needs of tribal population;

(jj) “UHC” means Upazila (as hereinafter defined) Health Complex; and

(kk) “Upazila” means an administrative sub-district of the Borrower.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred ninety six million one hundred thousand Special Drawing Rights (SDR196,100,000).

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

agree, to be paid) on account of withdrawals made by the Borrower to meet the reasonable cost of goods, works and services required under an Operational Plan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a foreign exchange account (Forex Account) in Bangladesh Bank, on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Forex Account shall be made in accordance with the provisions of Part B of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2010, 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 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, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the 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 February 1 and August 1 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 February 1 and August 1, commencing August 1, 2015 and ending February 1, 2045. Each installment to and including the installment payable on February 1, 2025, 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 (6) 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 (5) 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 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 HNPSF

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

(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 HNPSF in accordance with the EMP, HCWMP, THP, the HNPSF Implementation Manual, as applicable, and the Implementation Program set forth in Schedule 4 to this Agreement.

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

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after 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 HNPSF; 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 a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the HNPSF.

- (b) The Borrower shall:
  - (i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for the Forex Account for each fiscal year (or other period agreed with the Association) audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association as soon as available, but in any case not later than six (6) 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 such other period agreed to by the Association), as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, 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 thereof, 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 Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements), the Borrower shall:
  - (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
  - (ii) retain, until at least one (1) year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records

(contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such reports and statements of expenditures 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 reporting obligations set out in Section 4.01 above, 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 HNPSP, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in HNPSP implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned HNPSP implementation; and
- (iii) sets forth the status of procurement under the HNPSP, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (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 HNPSP through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (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(1) of the General Conditions, the following additional events are specified:

- (a) that a situation has arisen which shall make it improbable that the HNPSP, or a significant part thereof, will be carried out;

(b) the Procurement Regulations shall have been amended, suspended, abrogated, repealed or waived, in a manner not satisfactory to the Association; and

(c) The agreements for the Pooling Development Partners' Cofinancing Funds shall have failed to become effective by December 31, 2005, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the HNPSF are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(d) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the HNPSF shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(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 HNPSF 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 events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (d)(i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d)(ii) of that Section.

## **ARTICLE VI**

### **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 Secretary, or the Additional Secretary, or any Joint Secretary, or Deputy Secretary, or Senior Assistant Secretary, or Assistant Secretary, or Joint Chief, or Deputy Chief, or Senior Assistant Chief, or Assistant Chief of the Economic Relations Division of the Ministry 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:

Economic Relations Division  
Ministry of Finance  
Government of the People's Republic  
of Bangladesh  
Sher-e-Bangla Nagar  
Dhaka, Bangladesh

Cable address:	Telex:	Facsimile:
BAHIRSAMPAD	642226 SETU BJ	(880) 28113088

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 Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Badiur Rahman

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christine Wallich

Country Director  
Bangladesh

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A: General

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

Category	Amount of Credit Allocated (Expressed in SDR Equivalent)	% of <b>Expenditures to be Financed</b>
(1) Goods, works, services, and Operating Costs under Part D of the Project	49,080,000	For FY2006 and thereafter, percentage as determined by the Association, on the basis of annual performance in accordance with selected indicators
(2) Services of NGO and other private and non-public providers	29,410,000	100%
(3) Goods (other than those covered by Category 1)	59,890,000	100% of Foreign Expenditures, 100% of Local Expenditures (ex-factory costs), and 80% of Local Expenditures for other items procured locally
(4) Works (other than those covered by Category 1)	32,240,000	85%
(5)(a) Consultants' services (other than those covered by Category 1)	10,200,000	80%
(b) Studies and Training	15,280,000	100%

TOTAL	196,100,000	

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 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 or services supplied from the territory of the Borrower;

(c) the term “Operating Costs “ means all expenditures required for the operation of the HNPS; and

(d) the term “Services of NGO and other private and non-public providers” shall include the provision of resources to non-governmental organizations in order to enable them to pursue the objectives of the HNPS through commissioning or contracting out services pertaining thereto.

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 except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR13,200,000 may be made on account of payments made for expenditures before that date but after December 31, 2004;

(b) payments made for expenditures under any of the Operation Plans: (i) for any construction activities, special needs programs, overseas and national training programs, and the various grant schemes financed under Category (1), until the selection criteria for eligibility for such activities shall have been agreed between the Borrower and the Association; and (ii) until the annual allocation and disbursement targets for any one of the Operation Plans shall have been agreed upon between the Borrower and the Pooling Development Partners during annual reviews;

(c) payments made for expenditures for goods, works or consultants’ services supplied under a contract which the Association or any national or international financing institution or agency, other than the Pooling Development Partners, shall have financed or agreed to finance under any other credit, loan or grant; and

(d) payments made for expenditures under any specific grants schemes, unless the Borrower has prepared a HNPS Implementation Manual, in form and substance satisfactory to the Association, and such expenditures have been incurred in



accordance with the terms and conditions and eligibility criteria specified in the HNPS Implementation Manual.

4. For the purpose of determining the percentage of financing under Category (1), the Association shall consider: (a) for FY 2006: (i) the share of total Borrower's expenditure allocated to MOHFW expenditure (%); (ii) the proportion of total MOHFW expenditure allocated to the 25% poorest districts (%); (iii) the utilization rate of ESD of the two lowest income quintile (%); (iv) the proportion of contracts awarded within initial bid validity period (%); (v) the proportion of births attended by skilled personnel (%); and (vi) TB case detection rate (%); and (b) for the following years, those indicators that shall have subsequently been agreed on an annual basis.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the HNPS for the six-month period following the date of such request.

B. Forex Account

1. After the Association has received evidence satisfactory to it that the Forex Account has been opened in accordance with Section 2.02(b) of this Agreement, withdrawals from the Credit Account under the Categories set forth in the table in paragraph 1 of this Schedule shall be deposited by the Association into the Forex Account in accordance with the provisions of this Part B.

2. Each request for withdrawal from the Credit Account shall be made on the basis of the reports referred to in Part A.5 of this Schedule, such reports to include the FMR and other information as the Association shall specify by notice to the Borrower; provided, however, that in the case of the first request for withdrawal submitted to the Association, before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the HNPS for the two quarters of the fiscal year.

3. Upon receipt of each request for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Forex Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part B.2 of this Schedule applicable to such withdrawal request, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

4. Amounts deposited by the Association into the Forex Account shall be used exclusively to make payments for Eligible Expenditures. For each payment made by the Borrower out of the Forex Account using Credit proceeds, 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 Part B.1 of this Schedule, the Association shall not be required to make further deposits into the Forex Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part B.2 of this Schedule adequately provide the information required for Report-based Disbursements;

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

(c) 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: (A) the records and accounts for the Forex Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Report-based Disbursements.

The Association shall not be required to make further deposits into the Forex Account in accordance with the provisions of Part B.1 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Forex Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Forex Account using Credit proceeds was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Forex Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Forex 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 determines at any time that any Credit proceeds on deposit in the Forex Account will not be required to cover payments for Eligible Expenditures during the six month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such proceeds.

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

## SCHEDULE 2

### Description of the HNPSP

The objective of the Project, which is an integral part of the HNPSP is, inter alia, to: (i) reduce infant, under-five and maternal mortality and the proportion of malnourished children; (ii) eliminate the gender disparity in child malnutrition and mortality; (iii) ensure increased access to reproductive health services; (iv) lower total fertility with a view towards achieving replacement level fertility by 2010; (v) reduce the burden of tuberculosis, HIV/AIDS, malaria and other priority diseases; (vi) initiate a system to control newer health threats and protect health risk by improving emergency services; and (vii) improve the prevention and control of non-communicable diseases.

The HNPSP 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: Accelerating Achievement of Health Nutrition and Population Related Millennium Development Goals and Poverty Reduction Strategy Goals

1. Reducing Maternal, Neonatal and Childhood Mortality and Improving Maternal and Childhood Nutrition

(a) Provision of technical advisory services and equipment to carry out a series of public information campaigns to raise awareness of problems during pregnancy, labour and the postnatal/neonatal period and obstetric complications, including the need for better maternal and early childhood nutrition.

(b) Provision of technical advisory services and equipment to develop and carry out a program for the expansion or scaling-up of the Skilled Birth Attendant (SBA) pilot and a national level SBA training and service program up to the year 2010.

(c) Provision of technical advisory services and equipment to strengthen the Comprehensive Emergency Obstetric Care at UHC and MCWC already serving as Comprehensive Emergency Obstetric Care centres, and to increase the numbers of basic and comprehensive centres.

(d) Provision of health voucher programmes to increase demand for maternal and neonatal health services and to insure against the costs of normal delivery by skilled providers and emergency obstetric care.

2. Reducing Total Fertility To Replacement Level

(a) Carrying out a series of public information campaigns to shift family planning use from short-term hormonal methods to longer-term, lower cost clinical methods (IUD) and permanent methods.

(b) Provision of technical advisory services and equipment to design and deliver selective outreach services to urban slums, hard-to-reach and low-performing areas.

3. Lowering the Burden of Tuberculosis and Malaria, and Preventing and Controlling HIV/AIDS

(a) Provision of technical advisory services and equipment to: (i) strengthen the National Tuberculosis Program (NTP) management at central, divisional and district levels, intensify effective NTP partnership and collaboration, expand diagnostic and treatment services, implement quality assurance of these, and enhance monitoring and evaluation; (ii) improve the compliance of the private sector, non-governmental organizations and academic institutions with the DOTS strategy; and (iii) ensure uninterrupted supplies of drugs and laboratory equipments through improved procurement, storage and distribution.

(b) Provision of technical advisory services, equipment and training to carry out the Borrower's Revised Malaria Control Strategy including, inter alia, EDPT, and a series of programs for selective vector control, promotion of ITMN, surveillance, information management and outbreak preparedness and control, and community involvement and partnerships with non-governmental organizations and private sector.

(c) Provision of technical advisory services, equipment and training for the carrying out of a series of HIV/AIDS prevention programs, including targeted interventions for high-risk group interventions, communication and advocacy, blood safety, and institutional strengthening.

Part B: Meeting Emerging HNP Sector Challenges

1. Reducing Injuries and Improving Emergency Services

(a) Carrying out of public information campaigns and inter-sectoral health promotion campaigns to improve road, water and industrial safety, and to raise community awareness of domestic injuries, including burns and injuries due to violence.

(b) Provision of medical, counselling and legal advisory services to women victims of violence.

(c) Carrying out of civil works, including provision of technical advisory services and equipment therefor, to develop a series of emergency care facilities in locations where risks of a medical emergency are highest, including, inter alia, the development of casualty units at existing upazilas and district-level facilities.

(d) Provision of studies and technical advisory services for the development of a policy for public financing of insurance against catastrophic treatment costs.

## 2. Prevention and Control of Major Non-Communicable Diseases

(a) Carrying out of an assessment of the disease burden of major NCDs and their common risk factors, including generation of mental illness data, and estimation of cost implications for the poor to support rational and socially equitable resource allocations.

(b) Carrying out of a series of public information campaigns to increase awareness of the risks of smoking, unhealthy diet and physical inactivity.

(c) Establishment of a system for improved screening for the early detection of obesity, hypertension and diabetes.

(d) Promotion of improved diagnosis and management for major NCDs.

(e) Assessment of a system to public financing of insurance against emergency treatment costs of NCD.

## 3. Urban Health Service Development

(a) Provision of technical advisory services and equipment to strengthening the existing system to ensure proper coordination and liaison between DGHS and DGFP and municipal authorities.

(b) Provision of clinical staff to the Borrower's Ministry of Home Affairs for prison services.

(c) Carrying out of consultations amongst different stakeholders including MLGRDC with a view to developing an integrated urban health development plan.

(d) Carrying out of a feasibility study for a Centre of Excellence to be established at the National Medical University.

## 4. Improving the HNP Response To Disasters

(a) Strengthening the system for intersectoral and intra-sectoral liaison and coordination.

(b) Provision of technical advisory services and equipment for strengthening the emergency stock management.

(c) Participation in the development of a coordinated risk management plan.

Part C: Advancing HNP Sector Modernization

1. Public Health Sector Management and Stewardship Capacity

(a) Strengthening professional management skills within MOHFW through a series of capacity building activities including planning and monitoring, procurement, financial management and audit, consistent preparation and implementation of PIPs and Operational Plans, training on information management, reform management, aid management, and the management of contracts with private and non-governmental organizations providers.

(b) Establishment of an enhanced and coordinated HNP management information system.

(c) Improving budget management through the development of a formal resource planning or medium-term expenditure framework process in achieving the HNP sector's strategic objectives and provision of training related thereto.

(d) Provision of technical advisory services, training and equipment to strengthen decentralisation and local level planning.

(e) Strengthening capacity building at all levels on policy formulation, regulation, resource allocation, monitoring and performance management.

2. Health Sector Diversification

(a) Carrying out of capacity building initiatives and training to make of MOHFW and municipalities more active service purchasers, in partnership with NGOs and private providers.

3. Stimulating Demand For HNP Services

(a) Carrying out of a series of programs on effective communication, education and information strategies, including prevention, early detection and management of key health problems, and on the promotion of healthy life-styles and behaviors.

(b) Supporting of ongoing and new demand-side financing initiatives for essential services through piloting and scaling up of successful pilots.

Part D: Enhancing Performance

Financing of a series of specific items and activities agreed upon during the annual program review on the basis of the performance of the sector.

\* \* \*

The HNPSP is expected to be completed by June 30, 2010.



### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

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

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

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

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

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

##### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$300,000 equivalent per contract and works estimated to cost less than \$5,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding procedure in accordance with the Borrower's Procurement Regulations; provided: (i) invitations to bid shall be advertised in at least one widely circulated daily newspaper in Bangladesh; and (ii) qualification criteria (in case pre-qualification was not carried out) for procurement of pharmaceuticals shall be those in the Banks Standard Bidding Documents and Technical Note for Procurement of Health Sector Goods and stated in the bidding documents, and, should a registration be required, a foreign firm determined to be the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of the Procurement Guidelines.

3. Direct Contracting. Goods which must be purchased from a particular supplier to be compatible with existing equipment or are of a proprietary nature, and costing \$1,000,000 equivalent or less in the aggregate, may with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.6 of the Procurement Guidelines.

4. Procurement from UN Agencies. Medicines, vaccines, contraceptives and medical supplies may be procured from United Nations agencies in accordance with the provisions of 3.9 of the Procurement Guidelines.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Consultants Guidelines.

2. Service Delivery Contractors. Services of non-public providers may be procured in accordance with the provisions of paragraph 3.21 of the Consultant Guidelines on the basis of procedures acceptable to the Association.

3. Single Source Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.9 through 3.13 of the Consultant Guidelines may be procured under contracts awarded in accordance with the Borrower's Procurement Regulations.

4. Fixed Budget Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded in accordance with the Borrower's Procurement Regulations.

5. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be

procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

6. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$25,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

7. Selection of Particular Types of Consultants. Selection of United Nations' Agencies as Consultants and use of Nongovernmental Organizations may be procured in accordance with paragraphs 3.15 and 3.16 of the Consultants Guidelines.

8. Individual Consultants. Services of individual consultants estimated to cost \$50,000 or more for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. All other individual consultants may be selected following the Borrower's Procurement Regulations.

#### Section IV. Review by the Association of Procurement Decisions

##### 1. Procurement Planning

The procurement plan shall set forth those contracts which shall be subject to the Association's prior review. Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the program shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Procurement Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of the said paragraph 1.

##### 2. Prior Review

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.

##### 3. Post Review

Notwithstanding the annual procurement audit of contracts financed from the pool account, the Association may conduct post-review of contracts on a sample basis (at least 20% of contracts which are not subject to prior-review by the Association), by hiring independent consulting firms, or through its own staff.

Section V.      Emergency Procurement

Notwithstanding the provisions of Sections II, III and IV of this Schedule, in emergency resulting from natural disasters, when the immediate procurement of medical supplies, pharmaceuticals, vaccines, or nutritional supplements is necessary to effect deliveries in the shortest possible time, procurement directly from UN Agencies, and through shopping and direct contracting methods, with prior approval of the Association, and with appropriate justification may be acceptable.

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall cause MOHFW to be responsible for the day-to-day implementation of the HNPSF.
2. (a) To facilitate coordination between the Borrower and the Development Partners, during implementation, the Borrower shall maintain, until the completion of the HNPSF, an HNP Forum established by MOHFW and consisting of senior-level representatives of the Borrower and the Development Partners. The Secretary of MOHFW shall chair the HNP Forum.  
  
(b) The HNP Forum shall meet whenever necessary, but in any case not less than once every quarter, to: (i) review the annual progress report, the operation plans, as well as the supporting budgets; (ii) provide overall policy and operational guidance for the implementation of the HNPSF and recommend corrective actions, if needed; and (iii) resolve any other issues and conflicts that may emerge during HNPSF implementation.
3. Three months prior to the start of each related fiscal year, the Borrower shall cause MOHFW to update and furnish to the Association, for its review and consent, the OP for the following fiscal year. Each such OP shall: (i) have been prepared in consultation with and based on data collected from the various stakeholders of the HNPSF at various levels; (ii) include fully costed proposed HNPSF activities for each output, linked with performance targets; (iii) include a detailed description of how proposed HNPSF activities shall be integrated into the existing structure and with ongoing activities at district and Upazila levels; (iv) include allocation of adequate resources and counterpart funding in the Borrower's recurrent budget for the HNPSF; and (v) be in line with the three (3) year implementation plan for the HNPSF.
4. The Borrower shall: (a) provide adequate budget allocation to MOHFW for each fiscal year during the HNPSF implementation to cover all recurrent costs and other counterpart-funding required for the HNPSF; and (b) ensure such funding through the revenue budget and approved annual development program and shall, within three (3) months of the close of each related fiscal year, furnish the Association with the actual allocations given to the HNP sector.
5. The Borrower shall, in conjunction with the Association and the Development Partners, jointly review the HNPSF in the first quarter of every year to review the implementation progress. The review shall, inter alia: (i) evaluate the effectiveness of the implementation mechanisms and the efficiency of the organizational structures; (ii) assess the impact of the HNPSF on poverty reduction; (iii) assess HNPSF contributions to the improvement of the quality of health; (iv) assess implementation performance against agreed upon indicators in the program framework and adjust indicators as needed;

(v) identify primary health policy issues; and (vi) assess the effectiveness of HNPSP strategies.

6. The Borrower shall ensure that: (i) all buildings to be constructed under the HNPSP shall be located on land owned by the Borrower and no resettlement of people, including squatters, shall be involved; (ii) the design, extension, upgrading, renovation and operations of facilities under the HNPSP shall be consistent with the Borrower's environmental requirements, and the Association's environmental policies and the EMP; (iii) for all facilities to be constructed or rehabilitated under the HNPSP, particular attention shall be given to the provision and maintenance of safe drinking water, including regular testing of water for arsenic contamination; and (iv) the resettlement of Affected Persons, if any, shall be carried out in accordance with an action plan and under a schedule, agreed with the Association, and consistent with the Association's applicable policies.

7. For the purpose of supporting the implementation of HNPSP, the Borrower shall, no later than three (3) months after the Effective Date, establish a Program Support Office (PSO) and appoint its technical team, with terms of reference and qualifications acceptable to the Association, to be located in, and managed by, MOHFW. The PSO shall, inter alia, (i) assist the Secretary for Health and the Joint Chief Planning in the design and management of all technical assistance in the coordination and supervision of HNPSP; and (ii) strengthen capacity of the planning wing to supervise the OP development process, budget allocation and revision process.

8. (a) The Borrower shall:

- (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed with the Association, the carrying out of the HNPSP and the achievement of the objectives thereof;
- (ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (i) above, on the progress achieved in the carrying out of the HNPSP during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the HNPSP and the achievement of the objectives thereof during the period following such date; and
- (iii) review with the Association, by February 28, 2008, or such later date as the Association shall request, the report referred to in sub-paragraph (ii) above, and, thereafter, take all measures required to ensure the efficient completion of the HNPSP and the

achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

(b) The mid-term review referred to in (a) above shall, inter alia, cover the (i) HNPSP scope, design and implementation arrangements, and institutional changes; (ii) implementation progress against agreed indicators in the operational plans and the three (3) years rolling plan; (iii) procurement performance; (iv) performance of consultants; (v) progress on the Borrower's financial management improvement plan, including internal audit report and fund flows; (vi) the geographical coverage of the operation; (vii) lessons learned; and (viii) any other issue agreed upon between MOHFW, the Association and other Development Partners.

9. In the carrying out of Parts C.2 and C.3 of the HNPSP, the Borrower shall use the services of an MSA, and for each package of activity carried through the NGOs, shall prepare contract with terms and conditions satisfactory to the Association.

10. The Borrower shall, no later than three(3) months after each six-month period, carry out an internal audit of the HNPSP, with terms of reference agreed with the Association, and furnish the report of said audit to the Association, no later than two (2) months after its completion.

11. The Borrower shall (i) no later than twelve (12) months after the Effective Date, and annually thereafter, carry out an annual procurement audit, with terms of reference, in form and substance satisfactory to the Association, and (ii) no later than one (1) month after its completion, furnish to the Association, the report of said audit.