

CONFORMED COPY

GRANT NUMBER H343-TP

Financing Agreement

(Health Sector Strategic Plan Support Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 16, 2008



GRANT NUMBER H343-TP

FINANCING AGREEMENT

AGREEMENT dated April 16, 2008, entered into between DEMOCRATIC REPUBLIC OF TIMOR-LESTE (“Recipient”) and 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 grant in an amount equivalent to six hundred forty thousand Special Drawing Rights (SDR 640,000) (“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 Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is Dollars.

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 MOH in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient

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

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has adopted a Project Operations Manual, in form and substance acceptable to the Association.
 - (b) The Multi-Donor Trust Fund Grant Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Palacio do Governo
Edificio 5, 1. Andar
Dili, Democratic Republic of Timor-Leste

Facsimile:

+670-332-13-39

5.03. The Association's Address is:

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

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

AGREED at _____, _____, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By: /s/ Rui Manuel Hanjam

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Nigel Roberts

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the quality and coverage of preventive and curative health services, particularly for women and children, in order to accelerate overall progress toward the health Millennium Development Goals, *inter alia*, through (a) financial support using the Health Sector Strategic Plan and MTEF framework, including (i) improvement of accessibility, demand and quality of health services; (ii) strengthening of support services, human resource development, and management; and (iii) strengthen of coordination, planning and monitoring; and (b) addressing challenges and innovations needed for the health sector to be prepared for the next generation of issues.

The Project consists of the following parts:

Part A: Health Service Delivery

Provide support to the Recipient in the delivery of health services priorities identified in the HSSP, including: (a) implementation of the Basic Service Package for primary health care, including improved outreach services to remote areas; (b) strengthening community nutrition and health services; (c) improving district level planning and management capacity to support service delivery; (d) improving hospital care and the referral system; and (e) assuring quality of care throughout the health system, including improvement of infrastructure.

Part B: Support Services, Human Resource Development, and Management

1. Improve the capacity of the Recipient in: (a) overall governance and management of the health sector; (b) human resource development and management practices in the health sector; (c) procurement, distribution and management of essential drugs and supplies; (d) core health sector fiduciary and support functions, including planning and supervision of civil works; logistics and maintenance of infrastructure and equipment; financial management; procurement; and information and communication technologies.

2. Strengthen technical and managerial capacity of the health workforce through: (a) strengthening the capacity of the Institute of Health Sciences; and (b) support for long-term and short-term training for health staff and managers.

Part C: Coordination, Planning and Monitoring

1. Strengthen the capacity of MOH in: (a) coordination and monitoring of donor programs, including through establishment of a Department for Partnership Management within the MOH; and (b) policy development and operational research capacity.

2. Support the Recipient in: (a) the implementation of improved health sector program planning and budgeting procedures at national and district levels; and (b) implementation of a practical and cost-effective HSSP monitoring and evaluation system, including: (i) strengthening the Health Management Information System; and (ii) support for health sector surveys and evaluations.

Part D: Innovation and Program Development

Support initiatives, among others, to: (a) promote community demand for health services; (b) provide incentives to service providers; (c) establish effective public-private partnership options; and (d) pilot rapid results initiatives, to build local implementation capacity and strengthen the focus on results.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements.**

1. The Recipient shall:

(a) carry out the Project in accordance with the Project Operational Manual; and

(b) not amend, abrogate, suspend, or waive any provision of said Project Operational Manual without the prior concurrence of the Association.

2. The Recipient shall:

(a) maintain, throughout the period of implementation of the Project, a Department for Partnership Management within the Directorate of Planning and Finance of MOH, to be responsible, *inter alia*, for: (i) providing overall coordination of Project activities, including financial management, and procurement; (ii) coordinating among relevant departments within MOH and with other central line agencies; and (iii) monitoring and evaluating the implementation of the Project; said Department to be provided with adequate resources, under the direction of qualified managers and staffed with competent personnel in sufficient numbers; and

(b) integrate the staff currently assigned to the Project Management Unit within the MOH to: (i) strengthen the role of MOH line departments, including establishing a procurement unit, and an Infrastructure Support Unit; and (ii) appoint technical advisors to financial management, and procurement.

3. The Recipient shall:

(a) no later than 30th November of each year, prepare an annual work plan and combined sources budgets (AWPB) for the health sector in line with its planning and budgeting procedures and calendar, which shall include (i) an annual training plan, along with details on any training proposed for financing by HSSP-SP; (ii) proposed allocations for the budget; and (iii) the HSSP-SP pooled funds and other donor resources; and (b) furnish to the Association, the HSSP-SP allocation, for its approval.

4. The Recipient shall establish and maintain, within the MOH, a committee with representation from Directorate of Health Services Delivery and relevant heads of technical departments, to approve innovative health initiatives and provide oversight for

their implementation. The said committee shall develop fair and transparent criteria, acceptable to the Association, for the selection and approval of proposals.

5. The Recipient shall appoint no later than thirty (30) days after the Effective Date, and thereafter maintain until the completion of the Project, an internationally qualified financial management specialist and a procurement specialist, with terms of reference and experience satisfactory to the Association.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. For all civil work activities, the Recipient shall, through MOH:

(a) implement, and cause to implement, the Guidelines on Maintenance, Handling and Disposal of Asbestos Materials and Asbestos Waste; and

(b) maintain, and cause to be maintained, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Guidelines.

2. The Recipient shall, through MOH:

(a) ensure that each referral hospital and health district have at least one (1) functioning gasifier for managing health care wastes by December 31, 2008; and

(b) ensure that the health facilities without a gasifier bring their hazardous wastes to the nearest community health center for treatment prior to disposal.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report. To facilitate coordination, the Recipient may prepare a single Program Report on the health sector, including budget-financed activities and other donor-financed programs, which will fulfill

this requirement for a Project Report as long as required information on Project execution and performance indicators are included.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following: (i) percentage of children under 1 year of age vaccinated with DPT3; (ii) percentage of births attended by skilled health personnel; (iii) percentage of pregnant women receiving four or more prenatal visits; (iv) percentage of children (6-59 months) receiving vitamin A supplements; (v) percentage of married or cohabitating women using modern contraceptives; and (vi) the number of pilot initiatives that: (A) have been financed under the Project; (B) have been evaluated; and (C) have been scaled-up.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a Financial Management System in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than one (1) month after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding in accordance with procedures specified in Annex to this Schedule
(b)	Shopping
(c)	Direct Contracting
(d)	Procurement from United Nations Agencies

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality Based Selection
(b)	Fixed Budget Selection
(c)	Least Cost Selection
(d)	Consultants Qualifications
(e)	Single Source Selection
(f)	Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) all contracts for goods or works procured on the basis of International Competitive Bidding; (b) the first contract each for goods and works procured on the basis of National Competitive Bidding; (c) all contracts for goods procured on the basis of Direct Contracting; (d) each contract for services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (e) all contracts for services procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.

E. Prior Review of TORs

Notwithstanding the provision of paragraph D above, the Association may, on a selective basis, and as identified in the Procurement Plan, review the terms of reference of Individual Consultants.

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

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of 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 five percent (5%) (inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, services, training and innovative activities and pilots.

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.
2. The Closing Date is June 30, 2013.

ANNEX TO SCHEDULE 2

National Competitive Bidding Procedures

1. The following provisions shall apply in respect of contracts for goods and works financed out of the proceeds of the Grant and procured according to National Competitive Bidding procedures (“NCB”).

2. Eligibility

The eligibility of bidders shall be as defined under Section I of the Association’s Guidelines for Procurement under IBRD Loans and IDA Credits, published by the Association in May 2004 and revised in October 2006; accordingly, no bidder or potential bidder should be declared ineligible for contracts financed by the Association for reasons other than the ones provided by Section I of the Guidelines.

3. Bidders participation

- (a) No eligibility restrictions based on nationality of bidder or origin of goods shall apply; therefore, foreign bidders shall be allowed to participate in NCB without restriction.
- (b) No limitations shall be imposed on any bidder as to the number of tenders in which may participate during a given period of time.
- (c) Prior registration, obtaining a license or an agreement shall not be a requirement for any bidder to participate in bidding procedures.

4. Advertising, Time for Bid Preparation

Potential bidders shall be allowed adequate time to prepare bids which should not be less than thirty (30) days, except for commodities and small goods contracts.

5. Standard Bidding Documents

Standard Bidding Documents, acceptable to the Association, should be used.

6. Bid Security

Bid security shall not be required for all procurement and shall be capped to a reasonable percentage of the amount of the contract in order not to hinder competition; when required, it shall be in the form of a bank guarantee from a reputable bank.

7. Qualification Criteria and Evaluation Criteria

Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid.

8. Bid Opening, Evaluation and Award of Contract

Bids shall be opened immediately after the stipulated deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened.

- (a) Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; Merit points shall not be used in bid evaluation.
- (b) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.
- (c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (d) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association's prior concurrence.

9. Preferences

No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

10. Rejection of all bids and re-bidding

All bids shall not be rejected or new bids solicited without the Association's prior written concurrence.

11. Publication of the Award of Contract

Publication of the contract award should include: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid; (d) name of bidders whose bids were rejected; and (e) name of the winning bidder; upon request, the Recipient shall inform unsuccessful bidders of the reasons of their rejection.

12. Complaints by Bidders and Handling of Complaints

The Recipient shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

13. Fraud and Corruption

The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, a contract financed by the Association.

14. Right to Inspect/Audit

Each bidding document and contract financed from the proceeds of the Grant shall provide that bidders, suppliers and contractors, shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “AWPB” means the annual work plan and budget prepared by the MOH (as hereinafter defined), in accordance with Paragraph 3 of Section I of Schedule 2 to this Agreement.
3. “Basic Service Package for Primary Health Care” means the minimum health services to be offered at community health clinics and health posts.
4. “Co-financier” means each donor providing Co-financing for the Project, through the Multi-Donor Trust Fund.
5. “Co-financing” means the funds provided for the Project through the Multi-Donor Trust Fund.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “Financial Management System” means the Stand-alone Free balance accounting system or its successor deployed by MOF (as hereinafter defined) to account for development projects, including records and accounts, maintained by MOH (as hereinafter defined).
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
9. “Guidelines on Maintenance, Handling and Disposal of Asbestos Materials and Asbestos Waste” mean the guidelines adopted by the East Timor Transition Administration in September 2000 which contains: (i) guidelines on the maintenance of asbestos-cement products; (ii) guidelines on the handling of building rubble and other material containing asbestos; and (iii) guidance for the silting and management of asbestos disposal sites.
10. “Health Sector Strategic Plan” or “HSSP” means the Recipient’s Health Sector Strategic Plan for the Years 2007 to 2012, dated August 27, 2007, and “HSSP-SP” means this Health Sector Strategic Plan Support Project.

11. “Institute of Health Sciences” means the Recipient’s training institute for nurses and health professionals.
12. “MOF” means the Recipient’s Ministry of Finance or any successor thereto.
13. “MOH” means the Recipient’s Ministry of Health or any successor thereto.
14. “Multi-Donor Trust Fund Grant Agreement” means the agreement to be entered into between the Recipient and the Association, as Administrator of the Multi-Donor Trust Fund (as hereinafter defined), providing for the Co-financing to the Recipient for the Project.
15. “Multi-Donor Trust Fund” means the Multi-Donor Trust Fund, administered by the Association on behalf of a number of donors, for the purpose of financing a number of health related activities carried out in the context of the Recipient’s HSSP.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 5, 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.
18. “Project Operation Manual” means the manual to be adopted by the Recipient in accordance with Section 4.01 of this Agreement, which shall include, *inter alia*: (i) implementation, financial management, audit, and procurement arrangements for the Project; (ii) monitoring and evaluation procedures; and (iii) guidelines for the preparation and implementation of annual work plans, as said manual may be amended from time to time with the prior agreement of the Association.