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October 17, 2000

Ms. Franciszka Cegielska
Minister of Health
Ministry of Health
ul. Miodowa 15
Warsaw, 00-923
Republic of Poland

Re: Health Services Development Project (Loan No. 3466 POL)
Amendment to the Loan Agreement

Excellency:

We refer to the Loan Agreement (Health Services Development Project) dated July 17, 1992, as amended, between the Republic of Poland and the International Bank for Reconstruction and Development (the Bank). We also refer to your letter dated March 3, 2000, requesting certain amendments to the Loan Agreement.

We hereby confirm the Bank's agreement to the following amendments to the Loan Agreement.

1. The table in paragraph 1 of Schedule 1 to the Loan Agreement is amended to read as per Annex 1 to this letter.
2. Section 1.02 and Schedules 2 and 4 to the Loan Agreement are amended as per Annex 2 to this letter.

Please confirm your agreement with the foregoing amendments by countersigning, dating and returning to us the enclosed copy of this letter. This amendment shall become effective as of the date of countersignature and upon receipt of the countersigned copy of this letter by us.

Sincerely yours

By /s/ Basil G. Kavalsky
Country Director
Estonia, Latvia, Lithuania and Poland
Europe and Central Asia Region

AGREED:

REPUBLIC OF POLAND

By /s/ Andrzej Rys
Authorized Representative

Date: October 31, 2000

ANNEX 1

to Letter dated October 17, 2000

Category	Amount of the CPL Loan Allocated (Expressed in Loan US Dollars Equivalent	Amount of the SCL Allocated (Expressed in US Dollars)	% of Expenditures to be financed
(1) Equipment, foreign vehicles, furniture materials and	22,339,257.37	23,860,742.63	100% of expenditures, 100% of local expenditures

	software cost)			(ex-factory and 90% of local expenditures other items procured
	for			
	locally			
(2)	Consultants' services, studies and training	7,922,502.26	11,677,497.74	100%
(3)	(a) Equipment for foreign Part D.2 in the Region of Ciechanow	3,565,590.83	6,782.28	100% of expenditures and 100% of local expen- ditures (ex- factory cost)
	(b) Equipment for and Part D.2 in the Region of Pomerania items locally	10,034,021.97	140,066.85	90% of local expenditures for other procured
	(c) Equipment for Part D.2 in the Region of Wielkopolski	12,469,025.06	217,940.10	
(4)	Refunding of Project due Preparation Advance	250,630.09		0.00 Amount pursuant to Section of this Agreement
			2.02(c)	
(5)	Unallocated	0.00	2,515,942.82	
(6)	S.A. Conversion*	14,307.10	-14,307.10	
	SUBTOTAL	56,595,334.68	38,404,665.32	
	Cancelled as of March 31, 1994	30,000,000.00	0.00	
	Cancelled as of March 3, 2000	0.00	5,000,000.00	
	TOTALS	86,595,334.68	43,404,665.32	

* This reflects the net balance of the Special Account Advance on the date of conversion of the original Currency Pool Loan (CPL) to Single Currency Loan (SCL).

ANNEX 2

to Letter dated October 17, 2000

Section 1.02

1. In Section 1.02 of the Loan Agreement, the word "and" at the end of paragraph 1.02 (e) is deleted, the period at the end of paragraph 1.02 (f) is replaced by a semi colon and the word "and" is added and the following new paragraphs are added thereafter, which read as follows:

"(g) "Sickness Funds" means the health insurance institutions, financing health care services and purchasing health services of the Borrower;

(h) "NHAs" means the National Health Accounts of the Borrower established to provide a systematic and complete way of organizing and analyzing the relevant data to develop and monitor policy interventions in the health sector and assess the efficiency of existing and planned reforms; and

(i) "DRGs" means the Diagnosis Related Groups of the Borrower to be used by Sickness Funds as a basis for purchasing health services."

Schedule 2

2. The first paragraph of Schedule 2 to the Loan Agreement (Description of the Project) is amended to read as follows:

"The objectives of the Project are to (a) support the first step in restructuring the health sector; (b) strengthen institutional capacity in policy making, planning, management and evaluation and improve health management education and information systems; (c) ensure sustainability of services and improve effectiveness, efficiency and quality of service delivery in the Regions of Ciechanow, Pomerania and Wielkopolski; (d) improve the health status of the population of Poland by strengthening health promotion and prevention programs; and (e) improve effectiveness, efficiency and quality of decentralized health service delivery."

3. In Part A of Schedule 2 to the Loan Agreement two new paragraphs 4 and 5 are added which read as follows:

"4. Breast and Cervical Cancer Screening Demonstration: Implementation of a demonstration project in six regions in Poland to develop capacity, establish screening services for breast and cervical cancer and to develop, test and evaluate quality control and quality assurance policies, procedures, and indicators for mammography and for cervical cytology/histology and for an educational campaign for prevention of breast and cervical cancer.

5. Health Promotion and Cardiovascular Prevention Infrastructure: Strengthening of the infrastructure for health promotion and cardiovascular prevention at national, regional and municipal levels through development and coordination of partnerships between health authorities at local and national level, health care institutions and non-governmental organizations as well as local communities for better planned health promotion activities and diseases prevention interventions, development of scientific capacity by better defining cardiovascular disease in targeted areas of Poland, development of an inventory of policy and environmental strategies for cardiovascular prevention, development and update of cardiovascular health plans in targeted regions, training and technical assistance for health authorities at local and national level, development of population-based strategies, and defining of priority populations for the cardiovascular prevention projects."

4. In Part C of Schedule 2 to the Loan Agreement a new paragraph 6 is added, which reads as follows:

"6. Management Education, Information Systems and Public Information: (a) training, materials and technical assistance for facility management training to strengthen management at the provider and facility level; (b) provision of management and information systems

software to approximately 300 hospitals and training to hospital managers and personnel on hospital information systems; and (c) implementation of a health sector reform public information campaign to provide comprehensive information to stakeholders and targeted population affected by the health sector reform, and channels of communication for all stakeholders."

5. A new Part E is added after paragraph 5 of Part D of Schedule 2 to the Loan Agreement, which reads as follows:

"Part E: Effectiveness, Efficiency and Quality of Decentralized Health Service Delivery

1. Sickness Funds Training: Provision of training and technical assistance to Sickness Funds staff and managers, including study tours and education for health insurance system employees.
2. Development and Implementation of the NHAs: Provision of technical assistance and training for the development and establishment of the NHAs to provide the Borrower with a systematic method to obtain data on total national health expenditures disaggregated to desired levels.
3. Standards for Purchasing Services under Health Insurance: Provision of technical assistance for analysis of the services purchased within the framework of the national health insurance system for insured individuals, including the appraisal of prophylactic, diagnostic, therapeutic and rehabilitative efficiency of selected group of services, development of the methodology of the cost-effectiveness evaluation, and development of principles of the medical technology assessment for the national health insurance benefits package.
4. Assessment and Diagnostic Tools for Priority Setting: Provision of technical assistance and training for the development of assessment and diagnostic tools that would enable decision-making with respect to the overall health care policy as well as the allocation of funds across specific alternatives, including training and development of diagnostic tools for assessing the medical and health needs of the population, diagnostic tools for establishing data needs and data-collection protocols and analytical tools for assessing the cost-effectiveness of different interventions.
5. Private Sector Initiatives in Health Insurance and Health Facilities: Provision of technical assistance to examine and define strategies to manage the principle implications of: (a) private health insurance in the Polish health market; and (b) privatization of facilities, including identification of practical strategies to address critical issues in the current health care financing system within the Sickness Funds, identify key elements and interactions between social health insurance and private health insurance and develop a strategy for privatization of health facilities and providers.
6. Development of DRGs: Preparation of a set of DRGs that can be used by Sickness Funds in Poland as a basis for purchasing health services from hospitals, including: (a) the clinical aspect of DRG preparation which entails selection of the appropriate system for grouping patients, identifying and adopting the appropriate grouping algorithm and identifying the prevalent medical and clinical procedures and practices used in Poland; and (b) the costing aspects of DRG preparation which entails using the most appropriate rules and procedures for determining costs of treatment, either on the basis of resource utilization or on the basis of some accounting procedures.
7. Equipping of Facilities and Training of Staff for Long-Term Care: Provision of technical assistance, training and equipment for the restructuring of the hospital base and reorganization of health services."

6. In Part A of Section I of Schedule 4 to the Loan Agreement a new paragraph 3 is added which reads as follows:

"3. Application software for hospitals will be procured by: (a) pre-qualification on a pass/fail basis for financial, management and technical capabilities for the supplier and the software; the technical requirement will be limited only to compulsory (mandatory) requirements and any supplier who passes all the compulsory requirements and meets the financial and managerial requirements will be pre-qualified; (b) a supplier (and the application software) could be pre-qualified either for one platform or for more; (c) each hospital would invite those pre-qualified for their platform to bid; and (d) each hospital will invite bids stating their requirements from the list of pre-qualified suppliers."

7. In Section II of Schedule 4 to the Loan Agreement the existing paragraph is numbered paragraph 1, and two new paragraphs 2 and 3 are added which read as follows:

"Single Source Selection of State Institutions

2. The following agencies may be engaged as consultants on a single source selection basis: (a) the State Agency, the Institute Oncology (Maria Sklodowska - Curie Memorial Cancer Center, Warsaw, Poland) for the component, "Breast and Cervical Cancer Screening Demonstration" (Part A.4 of the Project) which is estimated to cost about US\$700,000; and (b) the State Agency, the Institute Cardiology, Warsaw, Poland, for the component "Health Promotion and Cardiovascular Prevention Infrastructure (Part A.5 of the Project) estimated to cost about US\$650,000.

Prior Review

3. Notwithstanding the provisions of paragraph 1 of this section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of individual consultants, estimated to cost less than US\$50,000 equivalent each, or (b) contracts for the employment of consulting firms estimated to cost less than US\$100,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) terms of reference to contracts; (b) single source contracts; (c) assignments of critical nature, as determined by the Bank; (d) amendments to contracts for employment of individual consultants raising the contract value to US\$50,000 equivalent above; and (e) amendments to contracts for employment of consulting firms raising the contract value to US\$100,000 equivalent above."

Cleared with and cc Messrs./Mmes.: Thomas Hoopengardner (ECSHD), Joseph Formoso (LOAEL), Sunil Bhattacharya (ECSCS), Zoe Kolovou (LEGEC)