

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4478-CM

Financing Agreement

(Health Sector Support Investment Project)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 30, 2008

CREDIT NUMBER 4478-CM

FINANCING AGREEMENT

AGREEMENT dated October 30, 2008, entered into between REPUBLIC OF CAMEROON (“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.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifteen million three hundred thousand Special Drawing Rights (SDR 15,300,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is the Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Health 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 an Operational Manual in form and substance satisfactory to the Association;
- (b) The Recipient has established the Operational Unit within the MOH in form and substance and with resources satisfactory to the Association, including the necessary program officer, procurement specialist, accountant, and internal auditor, with experience and employed pursuant to terms of reference as found satisfactory by the Association;
- (c) The Recipient has prepared the terms of reference satisfactory to the Association for the recruitment of an external auditor, and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

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 years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Ministry at the time in charge of Economy and Planning

5.02. The Recipient's Address is:

Ministry of Economy, Planning and Regional Development
Yaoundé
Republic of Cameroon

Facsimile:

(237) 22 22 15 09

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 Yaoundé, Republic of Cameroon, as of the day and year first above written.

REPUBLIC OF CAMEROON

By /s/ Louis Paul Motazé

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mary Barton-Dock

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase utilization and improve the quality of health services within the country of the Recipient with a particular focus on child and maternal health and communicable diseases.

The Project consists of the following parts:

Component 1: District Service Delivery

- A. Provide support to Annual District Action Plans for: District-level health services related to childhood illnesses, maternal, reproductive and obstetrical health care, family planning, child and maternal nutrition, and communicable diseases, through the financing of goods and services through performance-based contracts with District Health Authorities, NGOs, and Health Facilities.
- B. Provide support to the SFHPs through the financing of Operating Costs.
- C. Provide support for the financing at the national level of procurement of goods, including drugs and medical equipment.

Component 2: Institutional Strengthening

Strengthen the MoH at the national, provincial and District levels in the areas of: (i) performance contracting, including setting up the institutional framework and systems and building capacity to prepare and negotiate contracts, developing a core set of indicators and setting payment levels, strengthening supervision, validating results through technical and financial audits, making payments based on results attained; evaluating the scheme, and scaling up successful elements; and (ii) putting in place a unified information system to generate up-to-date, reliable, financial and programmatic data to measure performance; all through the provision of technical assistance, training, goods and equipment.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Steering Committee

- (a) The Recipient shall maintain, throughout Project implementation, the Steering Committee in form and substance and with functions and resources satisfactory to the Association, in accordance with the Steering Committee *Arrêté*.
- (b) The Steering Committee shall be responsible for overall coordination of Program implementation.

Operational Unit

- (a) The Recipient shall maintain within the MoH, throughout Project implementation, the Operational Unit in form and substance and with functions and resources satisfactory to the Association, in accordance with the Operational Unit Ministerial Decision and including staff with qualifications, experience, and terms of reference satisfactory to the Association, including the persons referred to in Section 4.01 (b) of this Agreement.
- (b) The Operational Unit shall be responsible for coordinating day-to-day implementation of the Program and the Project.

Provincial Health Authorities

Each Provincial Health Authority shall be responsible for:

- (i) Reviewing and consolidating at the provincial level the Annual District Action Plans received from the District Health Authorities, and

- (ii) Transferring the Annual District Action Plans and the Consolidated Annual District Action Plans to the MoH.

Special Fund for Health Promotion (SFHP)

- (a) The Recipient shall establish within each Province and maintain, throughout Project implementation, the SFHPs in a manner, and in form and substance and with functions and resources satisfactory to the Association, comprising at least representatives of the Provincial Health Authorities, municipal council members and representatives of the District Health Authorities and civil society.
- (b) Each SFHP shall be responsible for the implementation of Component 1.A of the Project within its area of responsibility by:
 - (i) Reviewing and approving the Annual District Action Plans in collaboration with the central administration of the MoH.
 - (ii) Entering into Performance-Based Contracts with District Health Authorities, NGOs, and/or Health Facilities;
 - (iii) Transferring the funds advanced by the MoH to the SFHP to the District Health Authorities, NGOs and/or Health Facilities in accordance with the terms of the Performance-Based Contracts; and
 - (iv) Monitoring on a quarterly basis the implementation of the Performance-Based Contracts and collecting or coordinating data collection related to the contracted services.

District Health Authorities

- (a) The Recipient shall maintain, throughout Project implementation, the District Health Authorities, in form and substance and with functions and resources satisfactory to the Association, and with the composition set forth in the District Health Statutes.
- (b) The District Health Authorities shall enter into Performance-Based Contracts with the SFHP.

- (c) The District Health Authorities shall be responsible for:
 - (i) Consolidating the monthly statement of expenditures received from the contracting entities and transmitting them to the SFHP.
 - (ii) Preparing Annual District Action Plans in a participatory manner involving providers, beneficiaries and local authorities involved in the health sector, and transmitting them to the SFHP and the Provincial Health Authorities.
 - (iii) Preparing quarterly progress reports and transmitting them to the SFHP.

B. Implementation Arrangements

1. Each District Health Authority shall prepare no later than September 30 of each year, an Annual District Action Plan prepared in a participatory manner involving providers, beneficiaries and local authorities involved in the health sector, and transmit such Annual District Action Plan to the relevant SFHP and the relevant Provincial Health Authority.
2. Each Provincial Health Authority shall prepare no later than October 31 of each year the Annual Consolidated District Action Plans for its Province and transmit such Annual Consolidated District Action Plan to the MoH and the Association.
3. Each SFHP shall enter into Performance-Based Contracts with the District Health Authority, NGOs, and/or Health Facilities in its area of responsibility; whose proposed activities under Component 1.A of the Project have been included in the Annual District Action Plan for such Province, pursuant to which such entities will commit to carry out their activities under such part of the Annual District Action Plan, and monitor and evaluate such activities, pursuant to the terms and conditions (including the performance indicators) described in the Performance-Based Contract.

C. Subsidiary Agreement

1. To facilitate the carrying out of each of the SFHP's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing available to such SFHP on a grant basis, under a subsidiary agreement between the Recipient and the SFPH, under terms and conditions approved by the Association ("Subsidiary Agreements").

2. The Recipient shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of their respective provisions.

D. Anti-Corruption

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

E. Safeguards

- (a) The Recipient shall implement the Project in accordance with the guidelines, procedures, timetables and other specifications set forth in the Waste Management Plan and the IPP.
- (b) Except as the Association shall agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the Waste Management Plan or the IPP.

F. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the Operational Manual; and (ii) except as the Association shall otherwise agree in writing, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 three months and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than August 30, 2014.

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 no later than 45 days 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

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

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines shall apply to goods manufactured in the territory of the Recipient.

2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) <i>National Competitive Bidding</i>
(b) <i>Direct Contracting</i>
(c) <i>Limited International Bidding</i>
(d) <i>Procurement from United Nations Agencies</i>
(e) <i>Procurement through Procurement Agent</i>

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) <i>Quality Based Selection</i>
(b) <i>Selection under a Fixed Budget</i>
(c) <i>Least Cost Selection</i>
(d) <i>Selection Based on Consultants' qualifications</i>
(e) <i>Single Source Selection</i>
(f) <i>Individual Consultants</i>
(g) <i>Selection of UN Agencies as Consultants</i>

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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 Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) (a) Goods and Services under Annual District Action Plans	9,200,000	100%
(b) Operating Costs	1,200,000	
(2) Goods, including drugs	2,800,000	100%
(3) Consultant services and Training	2,100,000	100%
TOTAL AMOUNT	15,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made
 - (i) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date but on or after May 15, 2008, for Eligible Expenditures; or
 - (ii) under Category (1) above, unless such withdrawal is made for an Approved SFHP (as defined under Section V.3 below).
2. The Closing Date is March 31, 2014.

Section V. Other Undertakings

1. No later than four months after Project effectiveness, the Recipient shall recruit in accordance with the provisions of Section III of Schedule 2 to this Agreement an external auditor, employed pursuant to terms of reference satisfactory to the Association.
2. The Recipient shall use its best efforts to ensure the preparation and adoption of the Program.
3. The Recipient shall not transfer any portion of the Financing to any SFHP under Component 1.A of the Project until the Association has confirmed in writing that the following conditions have been satisfied for such SFHP (an "Approved SFHP"):
 - (i) such SFHP has been established in form and substance and with a revised mandate satisfactory to the Association;
 - (ii) at least one District within the area of responsibility of such SFHP has adopted an Annual District Action Plan that has been approved by the relevant Provincial Health Authority;
 - (iii) such SFHP has signed a Performance-Based Contract with at least one District Health Authority or at least one NGO located

within such relevant District, in accordance with the terms of Section III of Schedule 2 to this Agreement;

- (iv) all requirements set forth in the IPP have been satisfied for the Province of the SFHP, as confirmed by the Association in writing;
- (v) a Subsidiary Agreement has been duly executed and delivered on behalf of the Recipient and the relevant SFHP; and
- (vi) a legal opinion satisfactory to the Association from counsel acceptable to the Association shall have confirmed that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the relevant SFHP and is legally binding upon the Recipient and such SFHP in accordance with its terms.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each of February 15 and August 15:	
commencing on August 15, 2018 to and including February 15, 2028	1
commencing August 15, 2028 to and including February 15, 2048	2

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

APPENDIX

Definitions

1. “Annual Consolidated District Action Plans” means the Annual District Action Plans, consolidated at the provincial level on a yearly basis in accordance with Section I.A of Schedule 2 of this Agreement.
2. “Annual District Action Plans” means the annual district action plans to be prepared by the District Health Authorities pursuant to Section I.A of Schedule 2 of this Agreement, setting forth the specific activities to be financed by the Association.
3. “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.
4. “Approved SFHP” has the meaning set forth in Section V.3 of Schedule 2 to this Agreement.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
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. “District” means the operational health zone under the responsibility of a specific District Health Authority.
8. “District Health Authorities” means the public Health Authorities set up within a District of the Recipient satisfying the criteria set forth in the Operational Manual, as confirmed in writing by the Association.
9. “District Health Committees” means the health committees set up within a District of the Recipient satisfying the criteria set forth in the Operational Manual, as confirmed in writing by the Association.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “Health Facilities” means the health facilities located within the territory of the Recipient satisfying the criteria set forth in the Operational Manual, as confirmed in writing by the Association.
12. “IPP” or “Indigenous People Action Plan” means the Recipient’s plan, dated April 3, 2008, outlining measures to ensure culturally appropriate social and economic benefits for the Pigmies under the Project and avoidance, minimization, or mitigation of, or compensation for, any potential adverse effects on the Pigmies associated with activities to be implemented under the Project, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.E of Schedule 2 to this Agreement, as the same may be updated from time to time with the prior written approval of the Association, and such term includes any schedules to said Plan.
13. “MINFI” means the Ministry of the Recipient responsible for finance (in French, *Ministère des Finances*).
14. “MoH” means the Ministry of the Recipient responsible for the health sector (*Ministère de la Santé*).
15. “NGOs” means the non-governmental organizations representing the three main confessional groups (*Conseil des Eglises Protestantes du Cameroun, Organization Catholique de Santé au Cameroun, Fondation Médicale Ad-Lucem*), located within the territory of the Recipient satisfying the criteria set forth in the Operational Manual, as confirmed in writing by the Association.
16. “Operating Costs” means the incremental expenses incurred by the SFHPs on account of Project implementation, management, and monitoring, including for office space rental, utilities, and supplies, communications.
17. “Operational Manual” (*Manuel d’exécution*) means the manual adopted by the Recipient pursuant to Section 4.01(a) of this Agreement, outlining implementation, institutional, administrative, financial management, accounting, procurement, disbursement, environmental, social, and monitoring and evaluation arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the prior written concurrence of the Association, and such term

includes any schedules or annexes to the Operational Manual, including: (i) an annex on financial and accounting procedures; (ii) an annex on procurement procedures; and (iii) an annex with the standard form of Performance Based Contract.

18. “Operational Unit” means the unit established within the MoH pursuant to the Operational Unit Ministerial Decision.
19. “Operational Unit Ministerial Decision” means the Ministerial Decision No. 0514, dated August 20, 2007.
20. “Performance Based Contract” means the yearly performance-based contracts to be entered into between each of the SFHP and District Health Committee, NGOs, and/or Health Facilities in such SFHP’s area, as described in Section I of Schedule II of this Agreement, in the form annexed to the Operational Manual.
21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 16, 2008 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.
23. “Program” means the Recipient’s Health Sector Development Program, to be adopted by the Recipient.
24. “Province” means an administrative subdivision of the territory of the Recipient.
25. “Provincial Health Authorities” means the delegates of the MoH at the provincial level of the Recipient (*Délégués Provinciaux*).
26. “SFHP Account” means the dedicated account of the Treasury to be opened at the BEAC to receive the portion of the Financing related to Component 1.A of the Project.
27. “SFHP Treasury Agent” means the accountant of the MINFI that has the authority to disburse funds to the SFHPs from the SFHP Account.

28. “Special Fund for Health Promotion” or “SFHP” (*Fonds Spécial pour la Promotion de la Santé*) means the provincial funds to be established to ensure availability of drugs in health facilities and having their mandate extended to cover the responsibilities defined in Schedule 2, Section I.
29. “Steering Committee” means the committee set up pursuant to the Steering Committee Decision.
30. “Steering Committee *Arrêté*” means the *Arrêté* N.132/PM, dated October 12, 2005.
31. “Subsidiary Agreement” has the meaning set forth in Section I.C of Schedule 2 to this Agreement.
32. “Waste Management Plan” means the plan of the Ministry of Health, dated April 3, 2008 for strengthening health care waste management which was discussed and endorsed by key stakeholders in the country.