

**CONFORMED COPY**

**CREDIT NUMBER 4305-MAG**

# **Financing Agreement**

**(Madagascar Sustainable Health System Development Project)**

**between**

**REPUBLIC OF MADAGASCAR**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 5, 2007**

**CREDIT NUMBER 4305-MAG**

**FINANCING AGREEMENT**

AGREEMENT dated June 5, 2007, entered into between REPUBLIC OF MADAGASCAR (“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 credit in an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 1 and October 1 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 Dollar.

**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 PCU 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 — REMEDIES OF THE ASSOCIATION**

4.01. The Additional Events of Suspension consists of the following:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Events of Acceleration consists of the following:

(a) Any event specified in paragraphs (a) of Section 4.01 of this Agreement occurs.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Recipient has established an operational internal audit department within MOHFP satisfactory to the Association; and

(b) the Recipient has adopted the PAFAM and the PIM, in form and substance satisfactory to the Association.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister at the time in charge of Finance.

6.02. The Recipient's Address is:

Ministry of Finance and Budget  
Antananarivo 101  
Madagascar  
BP 61

Cable address:	Telex:	Facsimile:
MEFB Antananarivo	22489	(261) 20 22 345 30

6.03. 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 Antananarivo, Republic of Madagascar, as of the day and year first above written.

**REPUBLIC OF MADAGASCAR**

**By:** **/s/ Benjamin Andriamparany Radavidson**  
**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By:** **/s/ Robert R. Blake**  
**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to contribute to the strengthening of the Recipient's health system, and enhance the institutional capacity of MOHFPSP to improve the access and utilization of health services, especially in rural and remote areas.

The Project consists of the following parts:

#### **Part A. Delivery of Health Services**

1. Support in improving the delivery of health services at the District and community level, including through: (a) rehabilitation works and the provision of equipment, drugs and medical supplies for Primary Health Centers; and (b) provision of drugs, equipment, technical assistance and training to support implementation of innovative strategies to meet the health needs of populations in remote areas.

2. Provision of technical assistance and equipment to MOHFPSP to: (a) review needs for essential drugs and update the list of essential drugs to be available nationally; (b) undertake an assessment of the institutional and organizational performance of the Recipient's hospitals, and subsequently implement hospital management pilots; and (c) develop tools for the fight against priority infectious diseases and subsequently implement such tools.

#### **Part B. Development and Management of Human Resources**

1. Development and selective implementation, through provision of technical assistance to MOHFPSP, for: (a) incentive, performance-based and contracting mechanisms for the redeployment of medical personnel to rural areas; (b) protocols for improving the working conditions of medical personnel in rural areas; (c) new training strategies for basic and continuing education; and (d) management of career plans and the development of effective human resources management tools.

2. Provision of training and coaching to health personnel to strengthen capacity to deliver quality services.

**Part C. Innovations in Health Financing Management**

1. Provision of technical assistance to MOHFPSP for the development and selective implementation of: (a) innovative resource mobilization mechanisms to ensure sustainability of priority programs; (b) mechanisms for better management of available public and private funds; and (c) innovative provider payment mechanisms.

**Part D. Improving Demand and Utilization of Health Services**

1. Promote awareness of health needs and available services at the community level and support increased utilization rate of health services, through carrying out of campaigns, and provision of technical assistance, training and equipment for the implementation of selective innovative pilot experiences.

2. Provision of technical assistance for the development and selective implementation of innovative financial mechanisms to increase demand for priority health services.

**Part E. Institutional Strengthening**

1. Support strengthening the capacity of the MOHFPSP in planning and programming, procurement, financial management and budget management, and strengthen supervisory and implementation capacity of Districts and support to the preparation and implementation of Work Plans through the provision of technical assistance and equipment, as well as carrying out audits and implementing social and environmental mitigation measures related to the Project.

2. Provision of technical assistance and training to MOHFPSP for: (a) the development and implementation of a monitoring and evaluation plan; (b) strengthening capacity to collect and analyze health information and data; and (c) contribute to the preparation and implementation of the national demographic and health survey.

3. Support Operating Costs for PCU.

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

1. Except as the Association shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, procedures and arrangements set out in the PIM and the PAFAM; and (b) not amend or waive, or permit to be amended or waived, the PIM and the PAFAM, or any provision thereof.
2. The Recipient shall at all time during Project implementation maintain:
  - (a) a management team within MOHFPSP comprised of staff in adequate number and with proper experience assigned to the Project and the Program, and in charge of: (i) providing general strategic and policy direction and oversight of the Program implementation; (ii) ensure communication and cooperation among stakeholders; including the private sector; (iii) approve the annual Work Program and budget; and (iv) review progress reports, and audit reports; and
  - (b) the PCU with functions, composition and staffing (including qualifications and experience of personnel) satisfactory to the Association, to be responsible for: (i) coordination of the implementation of the Project; (ii) consolidation of the Work Plans and budgets; (iii) maintenance of records and separate accounts for all transactions related to PCU; (iv) preparation, consolidation and production of the Project financial statements, quarterly unaudited financial statements and any other financial information required by the Recipient or the Association; (v) management of the Designated Account; and (vi) monitoring and evaluation of Project Activities. The PCU will at all time include the following key staff: a coordinator, a procurement specialist, an administrative and financial officer, and a monitoring and evaluation specialist.
3. The PCU shall ensure proper coordination and communication with all agencies involved in the implementation of the Project and the Program, including all MOHFPSP Technical Departments at the central and decentralized level, on the basis of Work Plans.



4. MOHFSP shall organize two summits a year, to include representatives from all relevant Ministries and at least the ministries responsible for finance, water and sanitation, and national education as well as from development partners, civil society organizations active in the health sector, and other stakeholders, in order to review the previous year's Work Program's performance and endorse recommendations for further implementation of the Program.

**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**

The Recipient shall ensure that the Project is implemented in accordance with the provisions of the MWMP, and except as the Association shall otherwise agree, shall not amend or waive any provision of the said plan.

**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 calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) by the Closing Date 47 Primary Health Centers will be upgraded in line with technical norms set by MOHFSP;
  - (ii) by the Closing Date, 10,000 safe delivery kits provided to Primary Health Centers;

- (iii) by the Closing Date, 100,000 maternal kits provided to Primary Health Centers;
- (iv) by the Closing Date, joint annual reviews of the Program will be undertaken with development partners;
- (v) throughout the implementation of the Project, data on illness, utilization and treatment are collected regularly at district level and reported to the MOHFSP; and
- (vi) throughout the implementation of the Project, utilization and treatment data is analyzed and used to inform policy making in the health sector.

**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 as part of the Project Report not 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 six months, commencing with the fiscal year in which the first withdrawal under the Project was made. 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.
4. No later than three months from the Date of Effectiveness, the Recipient shall have caused PCU to: (i) employ the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of Schedule 2 to this Agreement; (ii) upgrade its accounting software; and (iii) recruit technical assistance to strengthen financial management capacity, all in a manner satisfactory to the Association.

**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:

<b>Procurement Method</b>
(a) <i>National Competitive bidding</i>
(b) <i>Shopping</i>
(c) <i>Direct contracting</i>
(d) <i>Procurement from United Nations Agencies</i>
(e) <i>Procurement agents</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.

<b>Procurement Method</b>
(a) <i>Selection based on the Consultants’ Qualifications(CQS)</i>
(b) <i>Single Source Selection(SSS)</i>
(c) <i>Selection of Individual Consultants(ICS)</i>

**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) each contract for works estimated to cost the equivalent of \$500,000 or more; (b) (a) each contract for goods estimated to cost the equivalent of \$250,000 or more; (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$200,000 or more; (d) each contract for individual consultants estimated to cost the equivalent of \$50,000 or more; and (e) all contracts procured on a single source basis. 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 100% (inclusive of Taxes) of Eligible Expenditures.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2009.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 1 and October 1:	
commencing October 1, 2017 to and including April 1, 2027	<b>1%</b>
commencing October 1, 2027 to and including April 1, 2047	<b>2%</b>

\* 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****Section I. 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. “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, as may be amended by the Association.
3. “District” means an administrative area representing a designated area and population within the territory of the Recipient for the purpose the delivery of health services.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
5. “MOHFPSP” means the Recipient’s Ministry in charge of health and family planning and social protection.
6. “MOHFPSP Technical Department” means, collectively, the directorates as defined by *Decret No 2007-208 fixant les attributions du Ministère de la Santé, du Planning Familial et de la Protection Sociale ainsi que l’organisation générale de son Ministère en date du 6 mars 2007*.
7. “MWMP” means the medical waste management plan updated March 26, 2007, approved by the Association, setting out the measures and arrangements necessary for the proper management of hazardous waste for the Project.
8. “Operating Costs” means the incremental expenses incurred by PCU on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, rental expenses, utilities expenses, consumables, transport, travel and accommodation, per diem, supervision costs, audits and salaries of locally contracted staff.
9. “PAFAM” means the Project administrative, financial and accounting manual, outlining the administrative, financial and accounting arrangements for the implementation of the Project, to be adopted by the Recipient pursuant to Section

5.01 (b) of this Agreement as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the PAFAM.

10. “PCU” means the coordination unit for the Project, established within MOFHPS and operating pursuant to MOFHPS’s organizational chart in compliance with *Decret No 2007-208 fixant les attributions du Ministère de la Santé, du Planning Familial et de la Protection Sociale ainsi que l’organisation générale de son Ministère en date du 6 mars 2007*.
11. “PIM” means the Project implementation manual outlining, the institutional and operational arrangements for the implementation of the Project, including, institutional, disbursement, procurement, environmental mitigation and monitoring and evaluation arrangements of the Project, to be adopted by the Recipient pursuant to Section 5.01 (b) of this Agreement, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the PIM.
12. “Primary Health Centers” means “*Centre de Santé de Base*”, “*Centre Hospitalier de District*”, and “*Centre Hospitalier de Référence Régionale*”, as defined by *Decret No 2007-208 fixant les attributions du Ministère de la Santé, du Planning Familial et de la Protection Sociale ainsi que l’organisation générale de son Ministère en date du 6 mars 2007*.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006, as may be amended by the Association.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 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.
15. “Program” means the program designed to improve the health sector policy and set forth or referred to in the letter dated March 12, 2007 from the Recipient to the Association.
16. “Work Plans” means the yearly program of activities and budget to be prepared at the District level and to be submitted for review and approval by PCU, and further integration into the Work Program.



17. "Work Program" means the annual program of activities and budget under the Project, satisfactory to the Association, to be prepared by the PCU and submitted to the MOFHPS Management Team for review and approval.