Financing Agreement

(Disease Prevention and Control Project)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 17, 2013
FINANCING AGREEMENT

AGREEMENT dated May 17, 2013, entered into between the REPUBLIC OF ARMENIA ("Recipient") and the 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 twenty two million eight hundred thousand Special Drawing Rights (SDR 22,800,000) ("Credit") to assist in financing the project described in Schedule 1 to this Agreement ("Project"); 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are May 15 and November 15 in each year.
2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall, through the MOH and its HPIU, carry out the Project, with the assistance of the SHA with respect to Part 1(a) of the Project, 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 Effectiveness Deadline is the date one hundred and twenty days (120) 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 Minister of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance of the Republic of Armenia
1 Melik-Adamyan Street
Yerevan 0010
Republic of Armenia

Facsimile:

+374-10-524282

5.03. The Association’s Address is:
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

AGREED at Yerevan, Republic of Armenia, as of the day and year first above written.

REPUBLIC OF ARMENIA

By

Authorized Representative
Name: Davit Sargsyan
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
Name: Jean-Michel Hafti
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to improve: (i) MCH services and the prevention, early detection, and management of selected NCD at the PHC level; and (ii) the efficiency and quality of selected hospitals in the Recipient’s territory.

The Project consists of the following parts:

Part 1: Performance-Based Financing to Improve MCH Services and NCD Services in PHC Facilities

(a) Implementation of the Performance-Based Financing Scheme, through: (i) the reimbursement for Eligible Screening Tests performed at Eligible PHC Facilities; and (ii) the provision of Performance-Based Incentives to Eligible PHC Facilities against their level of performance achieved.

(b) Provision of: (i) Operating Costs to SHA for the carrying out the Performance-Based Financing Scheme; (ii) training and capacity building activities to key stakeholders on the implementation of the Performance-Based Financing Scheme; (iii) essential equipment for screening programs in PHC facilities; and (iv) provision of support for the carrying out of health promotion activities, including a national public information campaign focused on promotion of healthy lifestyles, aimed at increasing population’s awareness on major risks associated with NCDs.

Part 2: Improving Efficiency and Quality of Selected Hospitals

(a) Provision of support for the modernization of the Lori Marz Hospital Network, through, *inter alia*: (i) the design and carrying out of civil works and provision of medical and waste management equipment for the upgrading and refurbishing of the Vanadzor medical center; (ii) the carrying out of training activities aimed at improving the management system of the Vanadzor medical center, as well as improving professional skills and competencies of medical staff; and (iii) the financing of angiographs at the Gyumri hospital and Nork-Marash specialized cardiology and cardiac surgery center.

(b) Improvement of the quality of specialized in-patient and out-patient hematological services offered by the center of hematology “Professor Yeolyan”, through, *inter alia*: (i) the preparation of the designs needed for the reconstruction of the center of hematology and the creation of a bone marrow transplant center; (ii) the carrying out of the necessary civil works for the renovation and reconstruction of the center; (iii) the provision of the necessary medical equipment, furniture and supplies; (iv) the provision of training to clinical staff and hospital administration; and (v) the
development and implementation of treatment standards (in accordance with international standards) for treatment of blood diseases.

(c) Provision of support for the establishment of a new oncology center aimed at providing integrated oncology services to the Recipient’s population, through, inter alia: (i) the provision of technical assistance for the design of the oncology center; (ii) the carrying out of civil works for the construction of a radiation therapy facility; (iii) provision of the necessary diagnostics and treatment equipment; and (iv) the development of clinical protocols and treatment standards for the oncology center.

(d) Provision of support for the improvement of hospital quality, through, inter alia: (i) the development of a comprehensive cancer registry system; provision of training to hospital personnel on epidemiology and statistics; and the necessary IT equipment to the statistical department of the oncology center referred to in (c) above; (ii) the provision of technical assistance to NIH for the development of clinical guidelines and standards for all hospitals in the Recipient’s territory; and (iii) the scaling up of the Quality Improvement Program in all Marzes, through, inter alia, the provision of: (a) training for: (A) hospital staff in clinical guidelines and standards; (B) managers and hospital quality control committees in quality management mechanisms and tools; and (C) hospital managers in budget management; and (b) technical assistance to hospitals to implement the Quality Improvement Program tools and mechanisms.

Part 3: Project Management

Provision of support to MOH for the technical and administrative management of the Project, including the financing of the necessary Operating Costs and audits.
SCHEDULE 2

Project Execution

Section 1. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall operate and maintain, until the completion of the Project, an implementation unit within the MOH, to be responsible for the overall coordination of the Project (the “HPIU”). Such unit shall have staff in adequate numbers and with qualifications and experience satisfactory to the Association including, inter alia, a director, a monitoring and evaluation coordinator, procurement specialists, a financial management specialist and other personnel needed for the effective implementation of the Project, all as set forth in the Operational Manual.

2. The Recipient, not later than thirty (30) days after the Effectiveness Date, shall create and thereafter maintain: (a) Project Steering Committee consisting of the representatives of the MOH and other key stakeholders, with the responsibility of guiding and coordinating the implementation of the program, defining terms of references, participating in technical evaluations, and working directly with consultants on arrangements of strategic technical assistance; and (b) the PHC Coordinating Committee, with membership and composition acceptable to the Association, including representatives of the relevant MOH departments and units, SHA and the HPIU, with the responsibility of supervising and guiding the implementation of the “Performance-Based Financing Scheme”.

3. The Recipient shall:

   (a) not later than six (6) months after the Effective Date, select and contract an Independent Counter-Verification Entity, independent from the Recipient with experience and qualifications in the health and social sectors acceptable to the Association, pursuant to the provisions of Section III of this Schedule and in accordance with terms of reference satisfactory to the Association, for the carrying out of technical reviews of agreed results during Project implementation, particularly focused on the compliance with the verification protocols included in the PBF Manual;

   (b) cause the Independent Counter-Verification Entity to carry out at least two technical reviews per year during Project implementation, and thereafter prepare a report of such scope and in such details the Association shall reasonably request; and
furnish to the Association as soon as available, the reports of the Independent Counter-Verification Entity referred to in paragraph (b) above.

4. The Recipient shall carry out the Project in accordance with:

(a) the Operational Manual, satisfactory to the Association, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the relevant Parts of the Project, including the following: (i) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (ii) guidelines for the adoption of an integrated medical waste management approach in all applicable activities to be developed under the Project; and (iii) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures; and

(b) the PBF Manual, satisfactory to the Association, which shall include the rules, methods, guidelines and procedures for the carrying out of the Performance-Based Financing Scheme under Part 1(a) of the Project, including the following: (i) implementation arrangements, including the role of SHA and SHA Marz branches; (ii) flow of funds and mechanisms for reimbursement of Eligible Screening Tests and provision of Performance-Based Incentives; (iii) results verifications protocols; (iv) penalties and sanctions for over-reporting by Eligible PHC Facilities; (v) eligibility criteria for the selection of Eligible PHC Facilities and the Independent Counter-Verification Entity; (vi) unit costs for each Eligible Screening Test; (vii) a model form of the PHC Performance Agreement; and (viii) the performance-based indicators.

5. In the event that any provision of the Operational Manual or the PBF Manual shall conflict with this Agreement, the terms of this Agreement shall prevail and except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual, the PBF Manual or any of their provisions.

6. The Recipient, not later than thirty (30) days after the Effectiveness Date, shall have executed the Co-financing Agreement and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it have been fulfilled.

B. PHC Performance Agreements

1. To facilitate the carrying out of Part 1(a) of the Project, the Recipient, through SHA, shall:
(a) enter into an agreement with each of the Eligible PHC facilities ("PHC Performance Agreements"), under terms and conditions approved by the Association and elaborated in the PBF Manual, setting forth the technical, administrative and fiduciary aspects of their participation in the implementation and use of funds under Part 1(a) of the Project. Each PHC Performance Agreement shall include provisions whereby said Eligible PHC Facility shall be required to:

(i) carry out its activities under the PHC Performance Agreements with due diligence and efficiency and in accordance with sound public health, environmental and social and administrative standards and practices acceptable to the Association, in accordance with the PBF Manual;

(ii) adhere to the Anti-Corruption Guidelines and the PBF Manual;

(iii) procure the goods and services required in accordance with Section III of this Schedule;

(iv) maintain adequate records to reflect, in accordance with sound accounting practices, the resources, operations and expenditures received pursuant to its PHC Performance Agreement and submit its financial statements to the Recipient; and

(v) enable the Association and the Recipient to inspect its facilities, operations and any records and documents relevant to the PHC Performance Agreement; and prepare and furnish to the Association and Recipient all such information as either shall reasonably request relating to the PHC Performance Agreement.

(b) exercise its rights and carry out its obligations under each PHC Performance Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purpose of the Financing and except the Association otherwise agree, the Recipient shall not sign, amend, abrogate, repeal, terminate, waive or fail to enforce any PHC Performance Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall, through MOH, implement the Project in accordance with:

   (a) the EMP; and
the EMF, and thereafter implement the pertinent EMPs, in accordance with their terms and in a manner acceptable to the Association, ensuring that civil works will not commence for any Part of the Project, unless the EMP for the respective site has been prepared by the Recipient and approved by the Association.

2. The Recipient shall ensure that any works to be carried out under the Project do not involve any Resettlement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 indicators acceptable to the Association. 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. 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. The Recipient shall prepare and furnish to the Association not later than 45 days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, 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, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project, including those required under the Performance-Based Incentives, 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding of the Recipient may be used for procurement of works and goods under the Project, provided that the following provisions are complied with:</td>
</tr>
<tr>
<td>(i) entities in which the Recipient owns a majority shareholding shall not be invited to participate in tenders for the Government, unless they are, and can be shown to be, legally and financially autonomous and operate under commercial law;</td>
</tr>
<tr>
<td>(ii) pre-qualification shall be conducted for large and complex works projects;</td>
</tr>
<tr>
<td>(iii) pre- and post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;</td>
</tr>
<tr>
<td>(iv) joint venture partners shall be jointly and severally liable for their obligations;</td>
</tr>
</tbody>
</table>
(v) no bids shall be rejected at bid opening;

(vi) bids can be cancelled and new bids invited, only if the conditions of clause 2.61 and 2.64 of the Procurement Guidelines are met;

(vii) all bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria;

(viii) advance Association’s approval is required for any substantial modifications in the contract scope/conditions during implementation; and

(ix) the Recipient shall use standard bidding documents, satisfactory to the Association.

(b) Shopping

(c) Direct Contracting

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Selection based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in Paragraphs 5.1 to 5.5 of the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, Operating Costs, Training and consultants’ services for the Project, including audits.</td>
<td>21,180,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Performance-Based Financing Scheme under Part 1(a) of the Project</td>
<td>1,620,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>22,800,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments:
   
   (a) made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 4,550,000 equivalent may be made for payments made prior to this date but on or after January 14, 2013, for Eligible Expenditures under Category (1); and
   
   (b) under Category (2) unless the Recipient, through MOH, has submitted evidence satisfactory to the Association that Performance-Based Incentives and reimbursement for Eligible Screening Tests Payments have been made to Eligible PHC Facilities by the Recipient in accordance and in compliance with the provisions of the PHC Performance Agreements and in accordance with the procedures set forth in the PBF Manual and the additional instructions referred to in Section IV.A.1 of this Schedule.

2. Notwithstanding the provisions of Part A of this Section, withdrawals under Category (2) may be made by the Recipient as follows:

   (a) Withdrawals shall be made on: (i) a monthly basis, or any other frequency agreed between the Recipient and the Association, based on withdrawal requests specifying the number of Eligible Screening Tests performed in each Eligible PHC Facility in any given period; and (ii) a semiannual basis, or any other frequency agreed between the Recipient and the Association, based on withdrawal requests specifying the amounts to be paid for Performance-Based Incentives for each Eligible PHC Facility in any given period. Withdrawal requests under both (i) and (ii) above shall be accompanied by the necessary supporting documentation, as specified in the PBF Manual.

   (b) If, at any time, the Association determines that any portion of the amount disbursed by the Association to the Recipient under Category (2) was used for items improperly procured in violation of Section III to this Schedule, made for reimbursement of expenditures which are not eligible under the Performance-Based Financing Scheme or not in compliance with the provisions of this Agreement and the provisions in the PBF Manual, the Recipient shall promptly refund any such amount to the Association as the Association shall specify by notice to the Recipient.

3. The Closing Date is December 15, 2019.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing on May 15, 2018 to and including November 15, 2027</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing on May 15, 2028 to and including November 15, 2037</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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 1. Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. "Co-financier" means the Health Results Innovation Trust Fund, a multi-donor trust fund administered by the Association and established by the Government of the United Kingdom and Northern Ireland on April 28, 2010.

4. "Co-financing" means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of $1,800,000, to be provided by the Co-financier to assist in financing Part 1(a) of the Project.

5. "Co-financing Agreement" means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.


8. "Eligible Screening Tests" means medical tests performed at Eligible PHC Facilities, including glucose level measurement, PAP smear and smear reading, antenatal care tests and any other test agreed between the Recipient and the Association, eligible for reimbursement under the Project on a unit cost basis, as set forth in the PBF Manual.

9. "Environmental Management Framework or EMF" means the Recipient's framework acceptable to the Association, as published and available to the public on December 19, 2012, which contains the environmental protection measures in respect of the Project, including: (i) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (ii) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (iii) the recommendation of mitigation measures for each negative impact identified; and (iv) measures for enhancing each identified positive impacts.
10. "Environmental Management Plan" or "EMP" means: (a) the plan published and available to the public on December 27, 2012, satisfactory to the Association, describing the environmental, mitigation, monitoring and institutional measures to be applied in the implementation of the Project; and (b) any of the Recipient's plans derived from the EMF and to be prepared during the implementation of the Project previous to the commencement of any civil works under the Project.

11. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

12. "HPIU" means the Health Project Implementation Unit established pursuant to MOH's Decree No. 764, dated October 22, 1996, or any legal successor thereto, referred to in Section I.A.1 of Schedule 2 to this Agreement.

13. "Independent Counter-Verification Entity" means the entity referred to in Section I.A.3 of Schedule 2 to this Agreement.

14. "Marz" means an administrative subdivision or province of the Recipient, and the term "marzes" mean all of said administrative subdivisions.

15. "MCH" means maternal child health.

16. "MOH" means the Recipient's Ministry of Health or any legal successor thereto.

17. "NCD" means non-communicable diseases which are not infectious, but rather linked to certain risk factors such as a person's lifestyle, genetics, or environment, all of which are known to increase the likelihood of these types of diseases.

18. "NIH" means the Recipient's National Institute of Health or any legal successor thereto.

19. "Operating Costs" means reasonable and necessary incremental expenditures, as approved by the Association on the basis of budgets acceptable to the Association, incurred by MOH and SHA on account of Project implementation, management, monitoring and evaluation, including the cost of office rental, office equipment and supplies, office equipment maintenance and repair, vehicle operation (including fuel costs) and repair, travel, communication, translation and interpretation, bank charges, verification and counter-verification of hospitals, salaries of HPIU staff and other miscellaneous costs as may be agreed with the Association, but excluding salaries of officials and employees of MOH and SHA.

20. "Operational Manual" means the manual dated March 10, 2013 and referred to in Section I.A.4(a) of Schedule 2 to this Agreement.
21. “PBF Manual” means the performance-based financing manual dated February 12, 2013 and referred to in Section I.A.4(b) of Schedule 2 to this Agreement.

22. “Performance-Based Financing Scheme” means the Recipient’s program for reimbursement based on evaluation of performance of PHC Facilities, created pursuant to MOH's Order No. 859-A of May 10, 2011 consisting of: (a) the reimbursement of Eligible Screening Tests performed by Eligible PHC Facilities; and (b) the provision of Performance-Based Incentives to Eligible PHC Facilities against their level of performance.


24. “PHC” means primary health care, an essential health care based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families in the community through their full participation and at an affordable cost.

25. “PHC Coordinating Committee” means the committee referred to in Section I.A.2(b) of Schedule 2 to this Agreement.

26. “PHC Performance Agreement” means each of the agreements between an Eligible PHC Facility and MOH, referred to in Section I.B.1 of Schedule 2 to this Agreement.


28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 12, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

29. “Quality Improvement Program” means the Recipient’s program currently being piloted in three hospitals, aimed at improving quality in the Recipient’s hospital network.

30. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business,
occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

31. "Salary Incentives" means the incremental salary that pursuant to MOH's Order No. 859-A of May 10, 2011, shall be paid to PHC personnel (doctors, nurses, and administrative staff) supporting the Performance-Based Financing Scheme to remunerate their performance on the basis of the level of achievement of a set of performance indicators set forth in the PBF Manual (and thus said expenditures constitute a subset of the Eligible Expenditures defined in the General Conditions).

32. "Steering Committee" means the management board referred to in Section I.A.2(a) of Schedule 2 to this Agreement.

33. "SHA" means the Recipient's State Health Agency established and operating pursuant to the Recipient’s Resolution No. 593 of December 18, 1997 or any legal successor thereto.

34. "Training" means training activities (other than consultants' services) to be carried out under the Project, including the reasonable and necessary travel expenses incurred by participants in training workshops and study tours, and other expenditures directly relating to the training workshop and study tour activity, as may be agreed with the Association.

**Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
3. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

4. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

   "32. "Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

5. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

6. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).