Financing Agreement

(Uganda Health Systems Strengthening Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 12, 2010
FINANCING AGREEMENT

AGREEMENT dated August 12, 2010, entered into between THE REPUBLIC OF UGANDA (“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 eighty five million seven hundred thousand Special Drawing Rights (SDR 85,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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 United States Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its 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 prepared the Annual Work Plan for the first year of Project implementation, in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.

(b) The Recipient has recruited the accounting, procurement and monitoring and evaluation specialists referred to in Section I.A.1 of Schedule 2 to this Agreement, in accordance with the provisions of said Section.

(c) The Recipient has adopted the Project Implementation Manual, in accordance with the provisions of Section I.B.1 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 (20) years after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is its Minister responsible for finance.

5.02. The Recipient’s Address is:

Ministry of Finance, Planning and Economic Development
P.O Box 8147
Kampala
The Republic of Uganda

Cable: FINSEC
Telex: 61170
Facsimile: 256 41 4230163

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 Kampala, Republic of Uganda, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By: /s/ Syda N. M. Bumba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Kundhavi Kadiresan

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to deliver the Uganda National Minimum Health Care Package to Ugandans, with a focus on maternal health, newborn care and family planning. This will be achieved through improving human resources for health, physical health infrastructure, and management, leadership and accountability for health service delivery.

The Project consists of the following parts:

**Part A: Improvement of Health Workforce Development and Management**

1. Carrying out of a program to consolidate the central-level human resources for health (HRH) functions of the Ministry of Health, such program to include strengthening capacity of the divisions of human resource development and human resource management in the Ministry of Health, rolling out of a HRH management information system, and carrying out of assessments and development of sound business plans to improve the capacities of the professional councils representing medical and dental practitioners, nurses and midwives, pharmacists and allied health professionals to discharge their oversight mandates.

2. (a) Establishment and equipping of a central job bureau within the Ministry of Health; (b) provision of personnel management training to district personnel, including hospital administrators and health managers; (c) strengthening of HRH management at the central level and at the district level, through assessments to recommend improvements in central- and district-level management practices and development of management information systems for district-level staff; and (d) provision of office equipment required for the purpose.

3. Carrying out of a program to improve the quality of pre-service and in-service education of health personnel, including development and provision of teaching materials, for health training institutions, training of selected cadres in short supply, development of a system of accreditation of continuing professional development courses, and development and implementation of a system of internships and clinical mentorship for selected health care personnel.

**Part B: Improved Infrastructure at Existing Health Facilities**

1. Renovation, upgrading and equipping of selected hospitals and other health facilities, including construction of waste incinerators, HIV/AIDS clinics, operating theatres, laboratory and delivery suites, and staff housing, and connection of these facilities to reliable water, power, sewerage, and
telecommunications systems, as needed.

(2) Carrying out of a program to strengthen the capacity of the Ministry of Health to procure, maintain, repair and replace health facilities, equipment and vehicles, including development of appropriate policies for the purpose and implementation of a suitable inventory system.

(3) Carrying out of a program to improve the Recipient’s hospital referral system through development of a suitable information, communication and technology strategy for referrals and provision of ambulances and vehicles required for the purpose.

Part C: Improved Leadership, Management and Accountability

(1) Implementation of an integrated performance management system designed to enhance performance and accountability of health personnel, such system to include, *inter alia*, performance plans and appraisal systems for health service providers and social accountability mechanisms, such as clients charters on health service delivery.

(2) Carrying out of a program to improve the Recipient’s health care facilities policies, such program to include the development and implementation of: (a) guidelines for the preparation of individual hospital plans; (b) options for management of regional referral hospitals; (c) a rational financing mechanism for public hospitals; and (d) an appropriate hospital accreditation system and internship policy to guide practical skills development for essential health personnel.

(3) Development and implementation of a hospital management training program for new and existing hospital personnel.

(4) Carrying out of a program to strengthen the capacity of the Ministry of Health to coordinate procurement, logistics and supply-chain management and monitoring for medical equipment and supplies, including the preparation and implementation of guidelines for such activities.

(5) Carrying out of a program to strengthen the provision and supervision of quality health services at district level.

(6) Strengthening the capacity of the Ministry of Health to implement, monitor and evaluate the Project, including carrying out financial management, procurement and audits of the Project, through provision of goods, services, Training and Operating Costs.
Part D: Improvement of Maternal, Neonatal and Family Planning Services

(1) Carrying out of a program to expand and improve the quality of maternal and newborn care through *inter alia*: (a) development and dissemination of guidelines and protocols for maternal and newborn care; (b) provision of hands-on training for emergency obstetrical and newborn care and post abortion care; (c) provision of critical and comprehensive emergency obstetrical and newborn care procedures, services, medicines, supplies and equipment; (d) provision of protocols, ambulances and other vehicles to strengthen the referral and communication system and increase utilization of maternal and neonatal services; and (e) expansion of strengthened maternal and perinatal death reviews.

(2) Carrying out of a program to increase the availability of and demand for family planning services by: (a) improving the quality of facility-based family planning services; (b) expanding the provision of long term and permanent contraception methods through private providers; and (c) community-based provision of family planning services to hard-to-reach areas and undeserved communities, all through the provision of family planning equipment and contraceptives and training, and dissemination of informational materials.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Staffing

In order to ensure the proper implementation of the Project, the Recipient shall ensure that the Ministry of Health shall at all times throughout Project implementation have adequate resources needed for the purpose, including qualified and experienced staff in adequate numbers.

To that end, the Recipient shall ensure that the following staff with terms of reference and qualifications and experience acceptable to the Association shall be employed by the Ministry of Health in accordance with the provisions of Section III of this Schedule and thereafter maintained throughout Project implementation: (a) an accountant; (b) a procurement specialist; and (c) a monitoring and evaluation specialist.

B. Project Implementation Manual and Annual Work Plan

1. Project Implementation Manual

(a) To ensure the proper implementation of the Project, the Recipient shall prepare a manual for the implementation of the Project, satisfactory to the Association, said manual to include, *inter alia*; (i) institutional arrangements for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities); (ii) financial management and accounting procedures, and internal control systems for the Project; (iii) detailed arrangements and guidelines for the overall carrying out of the Project (including, *inter alia*, for procurement, for the preparation of Annual Work Plans and for monitoring and evaluation; and (iv) guidelines for implementation of the Health Governance Strategy and Action Plan.

(b) The Recipient shall: (i) furnish to and exchange views with the Association on such manual promptly upon its preparation; and (ii) thereafter adopt such manual as shall have been approved by the Association, and implement the Project in accordance with the Project Implementation Manual.
(c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Project Implementation Manual or any provision thereof.

(d) In case of any conflict between the terms of the Project Implementation Manual and those of this Agreement, the terms of this Agreement shall prevail.

2. Annual Work Plans

(a) The Recipient shall, not later than April 15 of each year during Project implementation, starting in calendar year 2011, furnish to the Association for approval, an annual work plan and budget for the Project, each said plan to include, inter alia: (i) the activities proposed to be carried out under the Project during the twelve (12) months immediately following the presentation of each said plan, beginning on July 1 of that calendar year; (ii) the proposed procurement plan, and estimated disbursement schedule for such period; (iii) the budget for such period; (iv) the training plan for such period; and (v) the amount of counterpart funds to be provided by the Recipient to carry out the Project activities during such period.

(b) The Recipient shall ensure that in preparing any training or workshops proposed for inclusion in the Project under an Annual Work Plan it shall identify in the work plan: (i) the objective and content of the training or workshop envisaged; (ii) the selection method of institutions or individuals conducting such training or workshop; (iii) the expected duration and an estimate of the cost of said training or workshops; and (iv) the number of personnel to be selected to attend the training or the workshop.

(c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed annual work plan, and thereafter shall allocate such counterpart funds for the Project and implement such annual work plan (in accordance with such budget) as shall have been approved by the Association, with due diligence.

C. Fiduciary Safeguards

1. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
2. **Health Governance Strategy and Action Plan**

Without limitation upon the provisions of paragraph 1 of this part C, the Recipient shall carry out the Project in accordance with the Health Governance Strategy and Action Plan.

3. **Procurement Audits**

In order to ensure the proper carrying out of procurement of goods, works and services financed out of the proceeds of the Financing the Recipient shall carry out, under terms of reference satisfactory to the Association, annual audits on such procurement. Each such audit: (a) shall cover the period of one Fiscal Year, commencing with the Fiscal Year in which the first withdrawal under Financing was made and shall be furnished to the Association not later than six (6) months after the end of such period; (b) shall cover all procurement activities during such period, including Operating Costs incurred; and (c) include measures designed to ensure continued compliance with the requirements of this Agreement.

D. **Safeguards**

1. The Recipient shall implement the Project in accordance with the provisions of the Health Care Waste Management Plan and EMPs.

2. Without limitation upon any other provisions of this Agreement, the Recipient shall: (a) prepare and furnish to the Association not later than (forty-five) 45 days after the end of each calendar quarter, a report, in form and substance satisfactory to the Association, on the implementation of the Health Care Waste Management Plan and EMPs during such quarter, together with any conditions which may interfere with such implementation and measures designed to address such conditions; and (b) thereafter promptly implement such measures with due diligence, taking into account the comments of the Association on the matter.

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 agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days 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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. Without limitation upon the provisions of paragraphs 1, 2 and 3 of this Part B:

   (a) The Recipient shall ensure that the inspectorate and internal audit department of the Ministry of Finance, Planning and Economic Development undertakes, at least twice in the year basis, in-depth internal audit reviews to provide independent internal verification of the transparency and soundness of key financial management tasks required under the Project, including procurement procedures, processing of payments and preparation of financial reports.

   (b) The Recipient shall ensure that its auditor general conducts two (2) value-for-money audits over the Project duration. Such audits shall involve assessing the effectiveness and efficiency of utilization of Credit proceeds by the Ministry of Health.

Section III. Procurement

A. General

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.

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.

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

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.

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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the following:</td>
<td></td>
</tr>
<tr>
<td>i. common supplies like stationery and consumables will be aggregated and procured annually through framework contracts to enable implementing agencies to place orders for urgently needed supplies at short notice, at a competitive price;</td>
<td></td>
</tr>
<tr>
<td>ii. in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract shall provide the following: (A) the bidders, suppliers, contractors and subcontractors shall, on request, permit the Association to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the said accounts and records audited by auditors appointed by the Association; (B) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice provided for in paragraphs 1.14(a)v of the Procurement Guidelines; and</td>
<td></td>
</tr>
<tr>
<td>iii. National Competitive Bidding may be used, except for the following: (A) negotiations with the best evaluated bidder shall not be allowed for goods and works procured on competitive basis; (B) the merit point system for bid evaluation shall not be applied for goods and works; (C) domestic preference shall not be applied; (D) micro-procurement, as defined in the Recipient’s Public Procurement and Disposal of Public Assets Act of 2003, will only apply for contracts estimated to cost the equivalent of US$150 or less.</td>
<td></td>
</tr>
<tr>
<td>(b) Shopping</td>
<td></td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
<td></td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection based on Consultants Qualifications</td>
</tr>
<tr>
<td>(b) Quality Based Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) 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 Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, consultant services, goods, Operating Costs and Training</td>
<td>$84,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>1,100,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$85,700,000</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 made prior to the date of this Agreement.

2. The Closing Date is July 31, 2015.
<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 June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2020, to and including December 15, 2029</td>
<td>1%</td>
</tr>
<tr>
<td>commencing June 15, 2030, to and including December 15, 2049</td>
<td>2%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Annual Work Plan” means the annual work plan of activities to be included in the Project, and prepared by the Recipient and approved by the Association in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.


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


6. “Environmental Management Plan” or “EMP” means the environmental management plan which is part of the ESIA (dated April 15, 2010) prepared by the Recipient for Project activities in one of its four regions (northern, central, eastern or western) as set forth in the volume of the ESIA covering the respective region.

7. “Fiscal Year” means each fiscal year of the Recipient commencing on July 1 and ending on June 30 of the subsequent year.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.


12. “Ministry of Health” means the Recipient’s ministry responsible for health and any successor thereto.

13. “Operating Costs” means reasonable costs for recurrent Project expenditures, based on an annual budget previously approved by the Association, that would not have been incurred by the Recipient absent the Project, including costs for: (a) office equipment and supplies; (b) office utilities; (c) office rental expenses; (d) Project vehicle maintenance costs, fuel and spare parts; (e) travel expenses and per-diem for official Project staff; and (f) operation and maintenance of office equipment, financed out of the proceeds of the Financing, all as needed for the Project (but not including any salaries).

14. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on May 8, 2009 and on behalf of the Recipient on June 17, 2009.


16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 1, 2010, 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.

17. “Project Implementation Manual” means the manual approved by the Association and adopted by the Recipient in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes and schedules to the Project Implementation Manual.

18. “Training” means reasonable expenditures, based on an annual budget previously approved by the Association (other than those for consultants’ services), incurred by the Recipient, to finance transportation costs and per diem of trainers and trainees, rental of training facilities and acquisition of training equipment and material needed for the implementation and supervision of the Project.
19. “Uganda National Minimum Health Care Package” or “UNMHCP” means a set of essential cost effective interventions designed to respond to the most important causes of disease burden in the Recipient’s territory and organized around four aspects of health care, namely: (a) integrated maternal and child health services; (b) prevention and control of major communicable diseases; (c) prevention and control of non-communicable diseases; and (d) crosscutting areas of health promotion, community health initiatives, environmental health, and school health, as well as gender and health.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

   If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (‘Preparation Advance’), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. The following term and definition set forth in the Appendix are modified as follows, and the following new term and definition are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

   (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

   “Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”