December 20, 2012

H. E. Ali Mahmoud Abdel Rasool
Minister of Finance and National Economy
Khartoum, Republic of the Sudan

M3TF - NS Grant No. TF057324
Second Amendment to Decentralized Health System Development Project

Excellency,

We refer to the Agreement dated October 29, 2006 (as amended) between the Republic of the Sudan (the Recipient) and the International Development Association (World Bank), acting as administrator of grant funds provided by various donors under the Multi-Donor Trust Fund for the Sudan (MDTF-NS). We also refer to your letter dated March 13, 2012 requesting restructuring and provision of additional financing to the Project.

We are pleased to inform you that the World Bank agrees to your request. Consequently, the Agreement is amended as follows:

1. The first paragraph of the Letter Agreement is amended to read as follows:

   In response to the request for financial assistance made on behalf of the Republic of the Sudan ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors under the Multi-Donor Trust Fund for Sudan (MDTF-NS), proposes to extend to the Recipient ("Member Country"), a grant in an amount not to exceed fourteen million United States Dollars (US$14,000,000) ("Grant") consisting of six million United States Dollars (USD 6,000,000) in original grant, six million United States Dollars (USD 6,000,000) in first additional grant and two million United States Dollars (USD 2,000,000) in second additional grant on terms and conditions set forth or referred to in this agreement ("Agreement"), which includes the attached Annex, to assist in the financing the project described in the Annex ("Project"). This Grant is funded out of the above mentioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

2. The reference to Standard Conditions in Section 1.01 of the Annex is revised as follows:

3. Paragraph 1.02(k) is modified to read as follows:

(k) "Target States" means the states of South Kordofan, North Kordofan, Blue Nile, Kassala and Red Sea in the Recipient’s administrative system as established in its applicable legal framework.

4. Project description at Section 2.01 of the Annex is amended to read as follows:

Part 1: Expanding Access to Primary Health Care by Underserved Populations

(a) Expanding coverage and quality of maternal and neonatal health services in rural areas of the Target States, through: (i) strengthening the existing network of midwifery training schools; (ii) provision of a package of incentives for the trained village midwives (including basic medical materials and supplies, payment for services rendered, access to continuous training, and supervision); and (iii) carrying out measures to increase the demand for and utilization of maternal health services at the community level.

Part 2: Establishing the Basis for Reform and Development of the Decentralized Health System

(a) Capacity-building and technical assistance to support reforms in health sector including policy work related to decentralization of responsibility for village midwives and provision of operating costs related to maternal death reviews and surveys.

(b) Management and coordination of the Project activities at the federal and Target State levels.

5. Section 2.02 of the Annex is amended to read as follows:

The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Federal Ministry of Health in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article.

6. Section 2.06 (a) of the Annex to the Agreement is amended to read as follows:

(i) Section I of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods and works;

(ii) Sections I and IV of "Guidelines: Procurement of Goods, Works and Non-consulting Services and/or IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines"), in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan")."
8. A new paragraph is added to Section 3.02 of the Annex stating as follows:

(d) for payments made prior to the date of countersignature by the Recipient of the Letter of Amendment for second amendment to the Grant, except that withdrawals up to an aggregate amount not to exceed four hundred thousand United States Dollars (USD 400,000) equivalent may be made for payments made prior to this date but on or after July 1, 2012 for Eligible Expenditures under Category (7).

9. For purposes of Section 3.03 of the Annex, the Closing Date shall read June 30, 2013.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter of Amendment. Upon receipt by the World Bank of the copy of this Letter of Amendment countersigned by you, this Letter of Amendment will become effective as of the date of countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Yousif Elfadil
Acting Country Manager for the Sudan

AGREED:
REPUBLIC OF THE SUDAN

By: H. E. Ali Mahmoud Abdel Rasool
Minister of Finance and National Economy
### ATTACHMENT A

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original and First Additional Grant Allocated (in US Dollars)</th>
<th>Amount of the Second Additional Grant Allocated (in US Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works (pro memoria)</td>
<td>0.0</td>
<td></td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for items procured locally</td>
</tr>
<tr>
<td>(2) Goods (pro memoria)</td>
<td>1,250,608.97</td>
<td></td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for items procured locally</td>
</tr>
<tr>
<td>(3) Consultants’ Services, including audits and Training (pro memoria)</td>
<td>366,922.75</td>
<td></td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
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<tr>
<td>(4) Operating Costs (pro memoria)</td>
<td>28,568.28</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Goods, Works, Operating Costs and Consultant Services, including audits and Training</td>
<td>10,350,800.00</td>
<td></td>
<td>100% (exclusive of taxes)</td>
</tr>
<tr>
<td>(7) Goods, Works, Operating Costs and Consultant Services, including audits and Training</td>
<td></td>
<td></td>
<td>2,000,000.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12,300,000.00</td>
<td>2,000,000.00</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of the above paragraph:

(i) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; (ii) the term “local expenditures” means any expenditures that are not foreign expenditures, provided, however, that if the currency of the Recipient is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be foreign expenditures; and (iii) the term “operating costs” means the incremental expenses incurred on account of Project implementation and supervision, including for office support, office supplies, office rent, communication expenses, maintenance of vehicles, and transportation expenses, but excluding salaries of officials of the Recipient’s civil service.