

PD-ABB-407

67458

AID Loan No. 514-L-069

Colombia - health
sector loan

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

5740173

(COLOMBIA - HEALTH SECTOR LOAN)

between the

REPUBLIC OF COLOMBIA

the

MINISTRY OF HEALTH

the

NATIONAL PLANNING DEPARTMENT

and the

UNITED STATES OF AMERICA

Dated: February 28, 1973

CONFORMED COPY

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

(Colombia - Health Sector Loan)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I - The Loan	
SECTION 1.01 The Loan	1
SECTION 1.02 The Program	1
SECTION 1.03 Implementing and Sub-Implementing Agencies.....	3
SECTION 1.04 Use of Funds Generated by Other United States Assistance.....	4
ARTICLE II - Loan Terms	
SECTION 2.01 Interest.....	6
SECTION 2.02 Repayment	6
SECTION 2.03 Application, Currency, and Place of Pay- ment	7
SECTION 2.04 Prepayment	7
SECTION 2.05 Renegotiation of the Terms of the Loan	7
ARTICLE III - Conditions Precedent to Disbursement	
SECTION 3.01 Release of Loan Funds	9
SECTION 3.02 Conditions Precedent to Initial Disbursement of Loan Funds	10
SECTION 3.03 Conditions Precedent to Disbursement for Use by the National Hospital Fund	11

	<u>Page</u>
SECTION 3.04 Terminal Dates for Meeting Conditions Precedent to Disbursement	13
SECTION 3.05 Notification of Meeting of Conditions Precedent to Disbursement	14
 ARTICLE IV - General Covenants and Warranties	
SECTION 4.01 Execution of the Program	15
SECTION 4.02 Funds and Other Resources to be Provided by Borrower	15
SECTION 4.03 Continuing Consultation	16
SECTION 4.04 Management	16
SECTION 4.05 Operation and Maintenance	16
SECTION 4.06 Taxation	17
SECTION 4.07 Utilization of Goods and Services	17
SECTION 4.08 Disclosure of Material Facts and Circumstances	18
SECTION 4.09 Commissions, Fees and Other Payments	18
SECTION 4.10 Maintenance and Audit of Records	19
SECTION 4.11 Reports	21
SECTION 4.12 Inspections	21
 ARTICLE V - Special Covenants and Warranties	
SECTION 5.01 Borrower's Contribution	23
SECTION 5.02 Ecological Considerations in Approval of Projects	23
SECTION 5.03 Data Collection and Compilation System	23

	<u>Page</u>
ARTICLE VI - Procurement	
SECTION 6.01 Procurement from the United States	24
SECTION 6.02 Procurement from Colombia	24
SECTION 6.03 Eligibility Date	24
SECTION 6.04 Implementation of Procurement Requirements	25
SECTION 6.05 Plans, Specifications, and Contracts	25
SECTION 6.06 Reasonable Price	25
SECTION 6.07 Shipping and Insurance	25
SECTION 6.08 Notification to Potential Suppliers	27
SECTION 6.09 United States Government-owned Excess Property	27
ARTICLE VII Disbursements	
SECTION 7.01 Disbursement for United States Dollar Costs - Letters of Commitment to United States Banks	29
SECTION 7.02 Disbursements for Peso Costs	29
SECTION 7.03 Other Forms of Disbursement	30
SECTION 7.04 Date of Disbursement	30
SECTION 7.05 Terminal Date of Disbursement	31
ARTICLE VIII - Cancellation and Suspension	
SECTION 8.01 Cancellation by the Borrower	32
SECTION 8.02 Events of Default; Acceleration	32

	<u>Page</u>
SECTION 8.03 Suspension of Disbursement	33
SECTION 8.04 Cancellation by A. I. D.	35
SECTION 8.05 Continued Effectiveness of Agreement	35
SECTION 8.06 Refunds	35
SECTION 8.07 Expenses of Collection	36
SECTION 8.08 Nonwaiver of Remedies	37
 ARTICLE IX - Miscellaneous	
SECTION 9.01 Communications	38
SECTION 9.02 Representatives	39
SECTION 9.03 Implementation Letters	40
SECTION 9.04 Promissory Notes	40
SECTION 9.05 Successors to Rights of A. I. D.	40
SECTION 9.06 Effective Date of Agreement	41
SECTION 9.07 Termination Upon Full Payment	41

ANNEX I

TABLE OF CONTENTS

	<u>Page</u>
I. DESCRIPTION OF PROGRAM	i
A. Background and Objectives	i
B. Regionalization and Integration of the Health Delivery System	i
C. Human Resources Training	ii
D. Research	ii
E. Construction	iii
F. Intra- and Inter-sectoral Coordination	iii
II. IMPLEMENTATION OF THE LOAN	iii
Implementing and Sub-Implementing Agencies	iv
III. MINISTRY OF HEALTH	vi
A. Financial Target	vi
B. Activity Target	vii
C. Training	vii
D. Improvement of Planning	x
IV. MALARIA ERADICATION SERVICE (SEM)	xiv
A. Financial Target.	xiv
B. Activity Target	xv
C. Malaria, Yaws, and Yellow Fever	xv
D. Immunization	xvi

	<u>Page</u>
E. Measles/Polio	xvii
F. V.D. Control	xvii
V. INPES	xvii
A. Financial Target	xvii
B. Activity Target	xviii
C. Research	xix
D. Rural Sanitation	xix
VI. F. N. H.	xx
A. Financial Target	xx
B. Activity Target	xxi
C. Construction	xxi
VII. I. C. B. F.	xxii
A. Financial Target	xxii
B. Activity Target	xxiii
C. Treatment of Minors	xxiii
D. Family Welfare/Nutrition	xxiv
VIII. DOLLAR FUNDS	xxv

1

LOAN AGREEMENT dated the 28th day of February, 1973, between the REPUBLIC OF COLOMBIA ("Borrower"), the MINISTRY OF HEALTH, the NATIONAL PLANNING DEPARTMENT, and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A. I. D. ").

ARTICLE I

The Loan

SECTION 1.01 - The Loan. - A. I. D. agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed nineteen million, four hundred thousand dollars (\$19,400,000) ("Loan") to assist the Borrower in carrying out the program referred to in Section 1.02 ("Program"). The Loan shall be used exclusively to finance United States dollar costs of vehicles required for the Program ("Dollar Costs") and local currency costs of goods and services required for the Program ("Local Currency Costs"). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

SECTION 1.02 - The Program. - The Loan is made to aid Borrower in carrying out its health sector program by (i) assisting it in financing the Dollar Costs of vehicles related to the Program and (ii) assisting it in financing its investment program in the health sector, which program includes: (i) expanding public health coverage through a regionalized system

of health services emphasizing unified direction and coordination of all public health activities, preventive and curative; (ii) increased delegation of medical functions and rationalized selection of location of facilities; (iii) expanded health training programs; (iv) improved rural sanitation; (v) an intensified preventive campaign of disease control and eradication; (vi) operational research; (vii) augmented production of health supplies; and (viii) improved sector planning and administration.

Funds made available under this Loan shall assist in financing (a) the Local Currency Costs of (i) the Ministry of Health in the amount of approximately four million two-hundred and eighty-thousand United States dollars (\$4,280,000) equivalent; (ii) the Malaria Eradication Service in the amount of approximately two-million four-hundred and twenty-two thousand United States dollars (\$2,422,000) equivalent; (iii) the National Special Health Projects Institute in the amount of approximately seven-million five-hundred and twenty-three thousand United States dollars (\$7,523,000) equivalent; (iv) the Colombian Family Welfare Institute in the amount of approximately seven-hundred and seventy-five thousand United States dollars (\$775,000) equivalent; (v) the National Hospital Fund in the amount of approximately three million, four-hundred thousand United States dollars (\$3,400,000) equivalent; and (b) the United States dollar costs of procurement of vehicles in the amount of approximately one-million United States

dollars (\$1,000,000).

Nothing provided herein shall be deemed to prohibit the Borrower from assigning an activity presently vested in a particular sub-implementing agency under the provision of Annex I to another sub-implementing agency or other suitable entity, and requesting an appropriate adjustment by A. I. D. of the amount set forth in the second paragraph of this Section 1.02. It is understood, however, that approval by A. I. D. shall be on the basis of evidence showing that the proposed agency or entity possesses the capacity to administer properly the funds to be provided, and further, that the funds will be used by the proposed agency or entity for the purpose of this Agreement.

The Program is more fully described in Annex I, attached hereto, which Annex may be modified in writing. The procedures for securing goods and services to be financed under the Loan shall be described in the implementation letters referred to in Section 9.03 ("Implementation Letters").

SECTION 1.03 - Implementing and Sub-Implementing Agencies. -
The Borrower hereby designates the Ministry of Health ("MINHEALTH"), as its Implementing Agency ("Implementing Agency") for purposes of carrying out the overall Program. The MINHEALTH hereby designates the

the following autonomous agencies as Sub-Implementing Agencies ("Sub-Implementing Agencies"): The Malaria Eradication Service ("SEM"); the National Special Health Project Institute ("INPES"); the Colombian Family Welfare Institute ("ICBF"); and the National Hospital Fund ("FNH") for purposes of effectuating the various aspects of the Program, as more fully described in Annex I.

In addition, the parties hereto recognize that the National Planning Department ("DNP") is accorded by law certain functions with respect to the planning, management, control and evaluation of public investment funds in Colombia. Accordingly, since all local currency to be made available under the Loan is to be authorized for use by the Implementing and Sub-Implementing Agencies through the Government of Colombia's investment budget, the DNP hereby undertakes to exercise its responsibilities so as to further the successful execution of the Program.

SECTION 1.04 - Use of Funds Generated by Other United States Assistance. - The Borrower shall use for the Program, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Local Currency Costs of the Program, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the

extent and for the purpose that A. I. D. and the Borrower may agree in writing. Any such funds used for the Program shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A. I. D. and the Borrower as to the use of such funds, at the rate of exchange in effect on the date on which the pesos become available.

ARTICLE II

Loan Terms

SECTION 2.01 - Interest. - The Borrower shall pay to A. I. D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.04) and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A. I. D.

SECTION 2.02 - Repayment. - The Borrower shall repay to A. I. D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A. I. D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03 - Application, Currency, and Place of Payment. -

All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A. I. D. may otherwise agree in writing, all such payments shall be made to the Agency for International Development, Cashier, FER/CONT, Washington, D. C. 20523 and shall be deemed made when received by A. I. D. at this address.

SECTION 2.04 - Prepayment. - Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, on any date on which interest is due, all or any part of the Principal. Any such prepayment shall be applied in the order prescribed in Section 2.03 and, to the extent applied to Principal, shall be applied pro rata to the remaining installments thereof.

SECTION 2.05 - Renegotiation of the Terms of the Loan. - In the light of the undertaking of the United States of America, and the other signatories of the Act of Bogotá and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with A. I. D. , concerning an acceleration of the repayment of Principal at any time or from time to time as A. I. D. or the Borrower may request; provided, however, that no such request under this Section shall be made

prior to six (6) months before the date the first installment of Principal is payable under Section 2.02. The parties hereto shall mutually determine whether such an acceleration shall take place on the basis of the following criteria:

(i) The capacity of Borrower to service a more rapid liquidation of its obligations in the light of the internal and external financial position of Colombia, taking into account debts owing to any agency of the United States of America, or to any international organization of which the United States of America is a member; and

(ii) The relative capital requirements of Borrower and of the other signatories of the Act of Bogotá and the Charter of Punta del Este.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01 - Release of Loan Funds. - Upon satisfaction of conditions precedent, A. I. D. will make available from Loan funds the following initial advances for Local Currency Costs to the nearest one thousand dollar equivalent for use by the Implementing and Sub-Implementing Agencies for the purposes specified in Annex I hereto:

	<u>Millions of Pesos</u>
MINHEALTH	5.3
SEM	4.5
INPES	13.0
ICBF	1.9
FNH	4.8

Subsequent disbursement for Local Currency Costs, which also be in the form of advances, will be made upon request of the Borrower or MINHEALTH. These requests shall be stated in terms of the needs of individual Implementing or Sub-Implementing Agencies and should be received by A. I. D. not less than thirty (30) days prior to date on which disbursement is required:

Each request for disbursement shall be accompanied by a statement for the Implementing or Sub-Implementing Agencies in question showing for each:

- (i) The information listed in items (a), (b) and (e) of Section 4.10;
- (ii) a narrative statement, pursuant to Section 4.10 (g), on progress made by the Implementing or Sub-Implementing Agency in carrying out the Program;
- (iii) a statement of work expected to be accomplished during the period of time during which the requested disbursement is to be expended;
- (iv) other anticipated financial resources for the Program during this period; and
- (v) a justification for the amount requested in terms of the needs of the Program.

A. I. D. will furnish for use by the Implementing and Sub-Implementing Agencies Implementation Letters detailing the nature of the information to be provided and criteria for demonstrating need.

A. I. D. reserves the right to disburse the full amount requested, or any portion thereof, pursuant to its evaluation of the progress of the Program.

SECTION 3.02 - Conditions Precedent to Initial Disbursement of Loan Funds. - Prior to any disbursement or to the issuance of the first

Letter of Commitment under the Loan, the Borrower shall, except as A. I. D. may otherwise agree in writing, furnish to A. I. D. in form and substance satisfactory to A. I. D. :

(a) An opinion or opinions of the Legal Advisor to the President of the Republic, or of other counsel satisfactory to A. I. D. , demonstrating that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Borrower, the MINHEALTH, and the DNP, and constitutes a valid and binding obligation of Borrower, the MINHEALTH, and the DNP in accordance with its terms; and

(b) Evidence of the authority of the person or persons who will act as representative or representatives of Borrower, the MINHEALTH and the DNP pursuant to Section 9.02, together with^a specimen signature of each such person duly certified as to its authenticity.

SECTION 3.03 - Conditions Precedent to Disbursements for Use by the National Hospital Fund. - As a condition precedent to disbursement for use^{by} the FNH, Borrower will provide evidence satisfactory to A. I. D. that the FNH has adequate capacity to carry out hospital expansion and remodeling projects to be financed under the Loan; and provide an implementation plan satisfactory to A. I. D. which will demonstrate that the construction, training, and equipment components of the projects are rationally phased

and coordinated. The plan will include the following:

(a) Evidence that MINHEALTH has initiated the necessary measures to reorganize and strengthen the FNH in accordance with the basic recommendations of the preliminary report of the Pan American Health Organization advisory group.

(b) Evidence of arrangements for (i) technical assistance to the FNH to supplement its manpower in the fields of engineering and specialized hospital design; (ii) the creation of a training program for the staff of the FNH; and (iii) the services of a consultant or consultants who shall advise FNH with respect to its long term development.

(c) Evidence that the FNH has employed architects and engineers in sufficient numbers so as to increase the capacity of the FNH to the level required for adequate preparation, evaluation and supervision of all projects pursuant to the schedule set forth in the National Hospital Plan. The numbers, type and qualifications of such personnel, as well as their method of selection and the timing of their employment (either directly or through consulting firms) shall be in accordance with the plan set forth in document No. FNH-048-73, heretofore submitted to A. I. D.

(d) A certification from the DNP attesting that the criteria for project selection set forth in the National Hospital Plan have been followed in the selection of the approximately sixty-one (61) hospital remodeling or

expansion projects scheduled to receive A. I. D. financing under the Loan.

(e) A certificate by the DNP stating that adequate criteria have been established and are being applied in site selection and design of health centers and health posts to be constructed under the Loan. Such certificate shall describe the site selection and design criteria in appropriate detail, and shall provide evidence of the existence of a close relationship between the proposed health centers and health posts and hospitals in the regionalized system.

(f) A plan for the remodeling or expansion of existing hospitals and for the construction of health centers and posts, which plan shall include a time-phased schedule evidencing that the construction to be undertaken will be coordinated with training and equipment availabilities.

SECTION 3.04 - Terminal Dates for Meeting Conditions Precedent to Disbursement. - (a) If all of the conditions specified in Section 3.02 shall not have been met within forty-five (45) days from the date of this Agreement, or such later date as A. I. D. may agree to in writing, A. I. D. , at its option, may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

(b) If all of the conditions specified in Section 3.03 shall not have

been met on or before June 30, 1973, or such later date as A. I. D. may agree to in writing, A. I. D. at its option, may cancel the then undisbursed balance of the amount of the Loan designated for use by the FNH or may terminate this Agreement by giving written notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.05 - Notification of Meeting of Conditions Precedent to Disbursement. - A. I. D. shall notify the Borrower within thirty (30) days of the receipt of documents submitted in satisfaction of Sections 3.02 and 3.03 whether A. I. D. has determined that the various conditions precedent to disbursement have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01 - Execution of the Program. - The Borrower, acting through the MINHEALTH and the several Sub-Implementing Agencies, shall carry out the Program with due diligence and efficiency, and in conformity with sound engineering, construction, financial, administrative, public health and medical practices, and also in accordance with all of the related plans, specifications, contracts, schedules, and other arrangements, including all modifications therein.

In this connection, the Borrower shall cause the Sub-Implementing Agencies at all times to employ suitably qualified and competent construction contractors to carry out construction subprojects, and shall employ suitably qualified and experienced consultants, where appropriate in connection with the Program set forth in Annex I, to be professionally responsible for the planning and execution of the Program.

A. I. D. reserves the right to review such plans, specifications, contracts, schedules, and other documents related to the Program, as may be appropriate, at the consultation specified in Section 4.03.

SECTION 4.02 - Funds and Other Resources to be Provided by Borrower. - The Borrower shall provide or cause to be provided promptly

as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Program.

SECTION 4.03 - Continuing Consultation. - The Borrower, the MINHEALTH, the DNP, and A. I. D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower the MINHEALTH, the DNP, and A. I. D. shall from time to time, at the request of any party exchange views through their representatives with regard to the progress of the Program, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Program, and other matters relating to the Program.

SECTION 4.04 - Management. - The Borrower through the MINHEALTH and the Sub-Implementing Agencies shall provide qualified and experienced management for the Program, and shall train such staff as may be appropriate for the organization, development, maintenance and operation of the Program.

SECTION 4.05 - Operation and Maintenance. - The Borrower shall operate, maintain, and repair the facilities constructed and equipment procured under the Program in conformity with sound engineering, financial, administrative, and mechanical practices, and in such manner as to insure the continuing and successful achievement of the purpose of the Program.

SECTION 4.06 - Taxation. - This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from any taxation or fees imposed under the laws in effect within the country of the Borrower. To the extent that, with respect to Dollar Costs, any commodity procurement transaction financed hereunder is not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse to same under Section 4.02 of this Agreement with funds other than those provided by A. I. D. under the Loan, and exclusive of funds to be provided by Borrower under the Loan.

SECTION 4.07 - Utilization of Goods and Services. -

(a) Goods and services financed under the Loan shall be used exclusively for the Program, except as A. I. D. may otherwise agree in writing. Upon completion of the Program, or at such other time as goods financed under the Loan can no longer usefully be employed for the Program, the Borrower may use or dispose of such goods in such manner as A. I. D. may agree to in writing prior to such use or disposition.

(b) Except as A. I. D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist

any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A. I. D. Geographic Code Book as in effect at the time of such use.

SECTION 4.08 - Disclosure of Material Facts and Circumstances.

The Borrower and the MINHEALTH represent and warrant that all facts and circumstances that they have disclosed or caused to be disclosed to A. I. D. in the course of obtaining the Loan are accurate and complete, and that they have disclosed to A. I. D. accurately and completely, all facts and circumstances that might materially affect the Program and the discharge of their obligations under this Agreement. The Borrower and the MINHEALTH shall promptly inform A. I. D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Program or the discharge of the Borrower's or the MINHEALTH's obligations under this Agreement.

SECTION 4.09 - Commissions, Fees and Other Payments. -

(a) The Borrower and MINHEALTH warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commi-

ssions, fees, or other payments of any kind, except as regular compensation to the Borrower's or the MINHEALTH's full time officers and employees or as compensation for bona fide professional, technical, or comparable services. The Borrower and the MINHEALTH shall promptly report to A. I. D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which they are parties or of which they have knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A. I. D. , the same shall be adjusted in a manner satisfactory to A. I. D.

(b) The Borrower and the MINHEALTH warrant and covenant that no payments have been or will be received by the Borrower or the MINHEALTH, or any official of the Borrower or the MINHEALTH in connection with the procurement of goods and services financed hereunder, except commissions, fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.10 - Maintenance and Audit of Records. - The Borrower and the MINHEALTH shall maintain, or cause to be maintained by the Implementing and Sub-Implementing Agencies, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Program and to this Agreement. Such books

and records shall, without limitation, be adequate to show:

(a) disbursements of Borrower's contribution to MINHEALTH and to the Sub-Implementing Agencies in accordance with the provisions of Annex I;

(b) disbursements of funds made available under the Loan to the Implementing and Sub-Implementing Agencies in accordance with the provisions of Annex I;

(c) disbursements made by the Implementing Agency and each Sub-Implementing Agency of the commingled funds received in accordance with the Program;

(d) the receipt and use made of goods and services acquired with commingled funds disbursed pursuant to this Agreement;

(e) the nature and extent of solicitations of prospective suppliers of goods and services acquired;

(f) the basis of the award of contracts and orders to successful bidders; and

(g) the progress, both fiscal and qualitative, of the Program, in sufficient detail (as shall hereafter be specified in Implementation Letters) to enable A. I. D. to review requests for releases of Loan funds.

Such books and records shall be regularly audited in accordance with sound auditing standards, for such period and at such intervals as

A. I. D. may require, and shall be maintained for five years after the date of the last disbursement by A. I. D. or until all sums due A. I. D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4. 11 - Reports. - The Borrower and the MINHEALTH shall furnish to A. I. D. such information and reports relating to the Loan and to the Program as A. I. D. may request.

SECTION 4. 12 - Inspections. - The authorized representative of A. I. D. shall have the right at all reasonable times to inspect the Program, the utilization of all goods, facilities and services financed by Loan funds or by Borrower's contribution, and the Borrower's and the MINHEALTH's books, records, and other documents relating to the Program and the Loan. The Borrower and the MINHEALTH shall cooperate with A. I. D. to facilitate such inspections and shall permit representatives of A. I. D. to visit any part of the country of the Borrower for any purpose relating to the Loan. Prior to undertaking any inspections pursuant to the provisions of this Section, however, A. I. D. hereby undertakes to advise the Controller General of the Republic of Colombia of its intent to exercise its rights hereunder. The Borrower and the MINHEALTH shall:

(a) upon request extend to A. I. D. the right to inspect the books, records and other documents of the Sub-Implementing Agencies relating to the

Program; and (b) insert, or cause to be inserted in all contracts with private entities, whether financed directly or through an intermediary under the Loan, a clause extending to A. I. D. the right to make inspections in accordance with this Section.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01 - Borrower's Contribution. - Borrower covenants that its contribution to the Program, as described in Annex I hereof, shall be provided in a timely manner, and in accordance with the provisions set forth therein.

SECTION 5.02 - Ecological Considerations in Approval of Projects. -

The Borrower warrants and covenants that it shall take into account, or cause to be taken into account by the Sub-Implementing Agencies, ecological criteria, where appropriate, among other factors to be taken into consideration in approval of any specific project.

SECTION 5.03 - Data Collection and Compilation System. - The Borrower covenants that within six (6) months of the execution of this Agreement, the Ministry of Health shall have designed, developed and entered into contracts or other arrangements, acceptable to A. I. D. , necessary for the implementation of a data collection and compilation system which will provide a wide range of information on the status of health of the Colombian population and actual utilization of public health system, in order to provide a more adequate basis for continuing assessment of the performance of the public health system.



ARTICLE VI

Procurement

SECTION 6.01 - Procurement from the United States. - Except as A. I. D. may otherwise agree in writing, and except as provided in Section 6.08(d) hereof with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Program of motor vehicles manufactured in the United States. All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A. I. D. Geographic Code Book as in effect at the time of shipment.

SECTION 6.02 - Procurement from Colombia. - Disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Program of goods and services having both their source and origin in Colombia.

SECTION 6.03 - Eligibility Date. - Except as A. I. D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.04 - Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Section 6.01 and 6.02 will be set forth in detail in Implementation Letters.

SECTION 6.05 - Plans, Specifications, and Contracts. - The Borrower or the MINHEALTH shall furnish or cause to be furnished to A. I. D. upon request, all plans, specifications, construction schedules, bid documents, and contracts relating to the Program, and any modifications therein, relating to goods and services to be financed under the Loan.

SECTION 6.06 - Reasonable Price. - No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Items procured pursuant to Section 6.02 shall be procured on a fair and, except for professional services, on a competitive basis in accordance with established Colombian law and procedures. Items procured pursuant to Section 6.01 shall be procured on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.07 - Shipping and Insurance. - (a) Motor vehicles financed under the Loan shall be transported to Colombia on flag carriers of any country included in Code 935 of the A. I. D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all motor vehicles financed under the Loan (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels, unless A. I. D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such vehicles may be transported on any ocean vessel (or aircraft) (i) which A. I. D. , in a notice to the Borrower, has designated as ineligible to carry A. I. D. -financed goods or (ii) which has been chartered for the carriage of A. I. D. -financed goods unless such charter has been approved by A. I. D.

(c) Except as A. I. D. may otherwise agree in writing, all motor vehicles financed hereunder, must be purchased by the Colombian importer from the exporter on a CIF basis. The term "CIF basis" shall mean that the exporter purchases the marine insurance and freight, and includes those items in the total cost of the vehicles to the Colombian importer.

(d) Marine insurance may be financed hereunder only if included in the price of the vehicles purchased on a CIF basis by the Colombian importer from the exporter. In such cases the exporter must purchase such marine insurance, of his free choice, in a country included in Code 935 of

the A. I. D. Geographic Code Book as in effect at the time of purchase.

(e) A. I. D. 's financing of ocean freight is limited to ninety (90) percent of ocean freight costs on a shipment-by-shipment basis, except that with respect to free-out shipment A. I. D. 's financing is limited to ninety-eight (98) percent of ocean freight costs.

SECTION 6.08 - Notification to Potential Suppliers. - In order that all United States firms shall have the opportunity to participate in furnishing motor vehicles to be financed under the Loan pursuant to Section 7.01, the Borrower shall furnish to A. I. D. such information with regard thereto, and at such times, as A. I. D. may request in Implementation Letters.

SECTION 6.09 - United States Government-owned Excess Property. - The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-owned Excess Property as may be consistent with the requirements of the Program and as may be available within a reasonable period of time. The Borrower shall seek assistance from A. I. D. and A. I. D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A. I. D. will make arrangements for any necessary inspection of such property by the Borrower or

its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan.

ARTICLE VII

Disbursements

SECTION 7.01 - Disbursement for United States Dollar Costs - Letters of Commitment to United States Banks. - Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A. I. D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A. I. D. , committing A. I. D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letter of Credit or otherwise, for Dollar Costs of vehicles procured for the Program in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A. I. D. may prescribe in Letters of Commitment and Implementation Letters.

Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 7.02 - Disbursements for Peso Costs. - Upon satisfaction of conditions precedent, the Borrower may, from time to time,

request disbursement by A. I. D. of Colombian pesos for peso costs of goods and services procured or to be procured for the Program in accordance with the terms and conditions of this Agreement and as specified in Section 3.01. A. I. D. shall make such disbursements from pesos owned by the United States Government and obtained by A. I. D. with United States dollars. Unless otherwise agreed in writing by A. I. D., no disbursement shall be sought in an amount less than the equivalent of two million United States dollars (\$2,000,000). The United States dollar equivalent of the pesos made available hereunder will be the amount of United States dollars required by A. I. D. to obtain the pesos. Upon presentation of appropriate documentation, and after a determination that satisfactory progress is being made by Borrower and the MINHEALTH in carrying out the Program, A. I. D. may advance funds in order to meet the needs of the Program.

SECTION 7.03 - Other Forms of Disbursement. - Disbursements of the Loan may also be made through such other means as the Borrower and A. I. D. may agree to in writing.

SECTION 7.04 - Date of Disbursement. - Disbursements by A. I. D. shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01 on the date on which A. I. D. makes a payment to a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursements pursuant to Section 7.02, on the date on which A. I. D. disburses the pesos to the Borrower or its designee.

SECTION 7.05 - Terminal Date of Disbursement. - (a) Except as A.I. D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under Section 7.03, or amendment thereto, shall be issued in response to requests received by A. I. D. after February 28, 1975, and no disbursement for Dollar or Local Currency Costs shall be made against documentation received by A. I. D. , or any bank described in Section 7.01 after August 31, 1975. A. I. D. , at its option, may at any time or times after August 31, 1975, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01 - Cancellation by the Borrower. - The Borrower may, with the prior written consent of A. I. D. and by written notice to A. I. D., cancel any part of the Loan (i) which, prior to the giving of such notice, A. I. D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letter of Credit.

SECTION 8.02 - Events of Default; Acceleration. - If any one or more of the following event ("Events of Default") shall occur:

(a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;

(b) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Program with due diligence and efficiency;

(c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A. I. D., or any of its

predecessor agencies, then A. I. D. , may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

(i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

(ii) the amount of any further disbursements made under the then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03 - Suspension of Disbursement. - In the event that at any time:

(a) An Event of Default has occurred;

(b) An event occurs that A. I. D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or

(c) Any disbursement by A. I. D. would be in violation of the legislation governing A. I. D. ;

(d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement

between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

(e) Satisfactory progress is not being made in carrying out all or any part of the Program in accordance with the terms of this Agreement;

Then A. I. D. may, at its option:

(i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A. I. D. shall give notice to the Borrower promptly;

(ii) decline to make disbursements other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents;

(iv) at A. I. D. 's expense, direct that title to goods financed under the Loan shall be transferred to A. I. D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of Colombia.

Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04 - Cancellation by A. I. D. - Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A. I. D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05 - Continued Effectiveness of Agreement. - Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06 - Refunds. - (a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A. I. D. , notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A. I. D. within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services

procured for the Program hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A. I. D. 's right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A. I. D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A. I. D. shall first make such refund available for the cost of goods and services procured for the Program hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07 - Expenses of Collection. - All reasonable costs incurred by A. I. D. other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A. I. D. by reason of occurrence of any of the events specified in Section 8.02 may be charged

to the Borrower and reimbursed to A. I. D. in such manner as A. I. D. may specify.

SECTION 8.08 - Nonwaiver of Remedies. - No delay in exercising or omission to exercise any right, power, or remedy accruing to A. I. D. under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01 - Communications. - Any notice, request, document, or other communication given, made, or sent by the Borrower, the MINHEALTH, the DNP, or A. I. D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made, or sent to the party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address : Ministerio de Hacienda y Crédito Público
Bogota, Colombia

Cable Address : MINHACIENDA
Bogotá, Colombia

TO THE MINISTRY

Mail Address : Ministerio de Salud
Bogotá, Colombia

Cable Address : MINSALUD
Bogotá, Colombia

TO THE DNP:

Mail Address : Departamento Nacional de Planeación
Bogotá, Colombia

Cable Address : PLANEACION
Bogotá Colombia

TO A. I. D. :

Mail Address : USAID Mission to Colombia
American Embassy, Bogotá, Colombia

Cable Address : AMEMBASSY - Bogotá, Colombia

Other addresses may be substituted for the above upon the giving notice. All notices, requests, communications, and documents submitted to A. I. D. hereunder shall be in English, except as A. I. D. may otherwise agree in writing.

SECTION 9.02 - Representatives. - For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Minister of Finance, the MINHEALTH will be represented by the individual holding or acting in the office of the Minister of Health, the DNP will be represented by the individual holding or acting in the office of the Director of the National Planning Department and A. I. D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Colombia. Such individuals shall have authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower, DNP or the MINHEALTH shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A. I. D. Until receipt by A. I. D. of written notice of revocation of the

authority of any of the duly authorized representatives of the Borrower, DNP or the MINHEALTH designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is fully authorized.

SECTION 9.03 - Implementation Letters. - A. I. D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement. Nothing set forth in such Letter of Implementation shall either modify or alter the terms of this Agreement.

SECTION 9.04 - Promissory Notes. - At such time or times as A. I. D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A. I. D. may reasonably request.

SECTION 9.05 - Successors to Rights of A. I. D. - If by operation of any law of the United States, or by virtue of assignment, any corporate or other agency of the United States Government succeeds to the rights and obligations of A. I. D. under this Agreement, such agency shall be deemed to be A. I. D. for purposes of this Agreement.

SECTION 9.06 - Effective Date of Agreement. - This Agreement shall enter into effect on the day and year first above written.

SECTION 9.07 - Termination Upon Full Payment. - Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A. I. D. under this Loan Agreement shall terminate.

IN WITNES WHEREOF, Borrower, MINHEALTH, the DNP and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE GOVERNMENT OF THE
REPUBLIC OF COLOMBIA

UNITED STATES OF AMERICA

By: /S/ Rodrigo Llorente Martínez

By: /S/ Leonard J. Saccio

Title: Minister of Finance and
Public Credit

Title: Ambassador of the United
States of America to Colombia

THE MINISTRY OF HEALTH

By: /S/ José María Salazar B.

By: /S/ Marvin Weissman

Title: Minister of Health

Title: Director of the USAID
Mission to Colombia

THE NATIONAL PLANNING
DEPARTMENT

By: /S/ Luis Eduardo Rosas

Title: Director National Planning
Department

ANNEX I

I. DESCRIPTION OF PROGRAM

A. Background and Objectives

The Government of Colombia has undertaken to carry out an expanded health sector investment program which, during 1973 and 1974, is designed to accomplish the goals and objectives set forth in Document DNP-878-URH/UINF, dated May 26, 1972. The goal of the program is the provision of public health services to an increasingly large proportion of the Colombian population until, by phases, the coverage is extended eventually to all Colombians eligible to use the public health system. In pursuit of this goal, the following components of the program will be emphasized.

B. Regionalization and Integration of the Health Delivery System

Broadened coverage will be achieved both by expanding the public health system and increasing its productivity through the regionalization and integration of the health delivery system. Regionalization will unify the direction, planning and management of all health services, preventive and curative, provide for increased delegation of functions down through the various levels

of the stratified system; extend the use of para-medical personnel, intensify referral of patients up and down the system for treatment at the most appropriate facility; increase the flow of guidance, technical assistance, supervision and evaluation from higher to lower levels; and rationalize the location, use and staffing of health institutions within each region.

C. Human Resources Training

The quantity and quality of professional and auxiliary personnel and their efficiency will be increased through a planned training and placement program including revised curricula, increased incentives and greater delegation of functions. The training program will emphasize the need for and means of delegating more functions to para-medical personnel.

D. Research

Priority will be given to operational and applied bio-social research to assist health planners develop and support programs which effectively and efficiently broaden the impact of the health system.

nutrition
1965

E. Construction

In support of the regionalized delivery system, hospitals and health posts will be constructed (or construction underway will be completed) according to established priorities, under the supervision of a strengthened single entity which shall channel funds, plan, design, and supervise the implementation of this aspect of the National Hospital Plan.

F. Intra-and Intersectoral Coordination

Effective mechanisms of coordination will be created for intra and intersectoral coordination, especially among programs of nutrition, maternal/child care, health education, urban development and rural sanitation.

II. Implementation of the Loan

The Program to be carried out in relation to this loan will be implemented by those agencies and organizations specified in Section 1.03 of the Loan Agreement.

Subject to normal Borrower procedures, the Implementing Agency and each Sub-Implementing Agency specified in Section 1.03 of the Loan Agreement shall have the authority to make upward or

downward adjustments between the targeted amounts for each of the activities managed by it with which this Program is concerned of not to exceed 10% of the total amount of commingled funds programmed for each activity. Adjustments of greater than 10% between the activities within the same Implementing or Sub-Implementing Agency shall be subject to A. I. D. approval. Any adjustment of Loan funds between the Implementing Agency and/or Sub-Implementing Agencies shall be subject to A. I. D. approval.

For purposes of implementation of the above adjustment provisions and the Program in general, the activities of the Implementing and Sub-Implementing Agencies shall be considered as noted below:

Implementing and Sub-Implementing Agencies

1. Ministry of Health
 - a) Training
 - b) Improvement of planning

2. SEM
 - a) Malaria, yaws, yellow fever
 - b) Immunization

15

c) Polio/measles

d) V.D. control

3. INPES

a) Research

b) Rural Sanitation

4. FNH

a) Construction

b) Equipment

5. ICBF

a) Treatment of minors

b) Family welfare/nutrition

The amount of pesos shown as Loan proceeds and designed for use by the Implementing and Sub-Implementing Agencies are approximations only, and are subject both to the dollar limitations set forth in Section 1.02 of this Agreement and those provisions governing the rate of exchange contained in Section 7.02 hereof. Moreover, pesos scheduled for disbursement in a given calendar year pursuant to the provisions of the Annex may be disbursed in

either of the calendar years shown for the Sub-Implementing Agencies, provided that such change is in accordance with the needs of the Program, and provided further that the general relationship between Borrower and AID contributions to the Sub-Implementing Agency is maintained.

In all cases, funds shown below as resources to be provided by "Borrower" correspond only to funds provided through the Borrower's investment budget. Other sources of income are excluded, unless otherwise specifically noted.

III. Ministry of Health

A. Financial Target

To make available for expenditure by the MINHEALTH, in 1973 and 1974, the following amounts, to be financed as follows:

	(Millions of Pesos)	
<u>Source of Funds</u>	<u>1973</u>	<u>1974</u>
Borrower	142.3	235.6
A. I. D.	<u>35.1</u>	<u>73.3</u>
Total	177.4	308.9

- 47 -

B. Activity Target

The program calls for the expenditure of commingled funds in approximately the amounts shown:

(Millions of Current Pesos)

	<u>1973</u>	<u>1974</u>
1. <u>Training</u>	93.5	108.5
2. <u>Improvement of Planning</u>	18.2	35.1
3. <u>Other</u>	<u>24.7</u>	<u>115.3</u>
Total	136.4*	258.9 *

C. Training

(i) Funds allocated for this activity are to be used to increase the availability of medical, auxiliary, administrative and general services personnel for Colombia's public health system. Sub-projects will provide post-graduate training for medical specialists in public health, in clinical sciences and in the teaching of basic sciences; training of additional auxiliary personnel in nursing, dentistry, sanitation, statistics and administration; training of additional maintenance and general services personnel and hospital administrators; upgrading of skills of professional and

* Activity targets do not include Col. \$41.0 in 1973 and Col. \$50.0 in 1974 which the MINHEALTH will devote to the Maternal/Child Care Program from Borrower resources exclusively.

48

auxiliary personnel, and expansion of the activities of the National School of Public Health. Particular attention is to be given to training which will facilitate delegation of functions within the regionalization scheme. The training program, together with university and private efforts, is expected to produce, by 1975, additional trained personnel for the public health system in approximately the following numbers:

<u>Type</u>	<u>Number to be Trained</u>
Health Planners	65
Medical Doctors	1,549
Public Health Doctors	60
Public Health Nurses	60
Professional Nurses	630
Auxiliary Nurses	6,012
Health Promoters	7,000
Sanitary Engineers	75
Sanitary Promoters	1,200
Dentists	824
Dental Auxiliaries	607
Equipment Maintenance Personnel	150

(ii) Not later than May 31, 1973, the MINHEALTH, in coordination with DNP will complete and provide to A. I. D. a schedule of training courses, a description of arrangements which it will effect for this training, and a plan of the numbers of persons in each specialty who are to be trained during 1973 and 1974. The plan will be based on a reassessment of the possibility of accelerating the output of previously planned activity levels, especially those relating to auxiliary personnel. It will also illustrate the relationship between the output of the proposed training program and the expected personnel requirements of the health plan, particularly those generated by construction contemplated in this sector program. As a supplement to this plan, by September 30, 1973, the Ministry, in coordination with DNP, will have surveyed the conditions at the various schools of auxiliary nursing and will have identified needs for improving curricula and budgets, and recruiting and placing students. This study will contain a time-phased plan of action for meeting these needs, and shall be furnished to A. I. D. by the above-mentioned date.

(iii) The MINHEALTH will provide foreign post-graduate training for health sector professional personnel through non-budget resources made available by international agencies on a grant or



loan basis, or by AID through ICETEX pursuant to Loan 514-L-066. Prior to June 30, 1973, the MINHEALTH will complete and provide through DNP to A. I. D. a study of the needs for foreign post graduate training of health sector personnel, together with a schedule of proposed training and the criteria by which candidates for training are to be selected.

(iv) Not later than September 30, 1973, the MINHEALTH shall have designed and initiated the implementation of: (1) one or more pilot experimental systems of personnel placement which employ special incentives to assure the adequate staffing of all health institutions consistent with the regionalization scheme, and (2) a pilot program incorporating the use of midwives ("comadronas") in the delivery of health care services at the local and rural levels.

D. Improvement of Planning

(i) Funds allocated for this activity are to be used to finance expanded operations, staff and equipment of the Ministry of Health Planning Office. ^{of the Minister} The Planning Office will design an improved information system, provide training courses for approximately 50 hospital auxiliary personnel annually in the application of the system and provide basic office equipment for statistical tabulations in 31 sectional health offices; design and implement improved

administrative procedures, including standardized procurement, contracting, personnel training and financial procedures, and design and implement improved planning, coordination and evaluation mechanisms for the sector.

(ii) Not later than April 30, 1973, the MINHEALTH, in coordination with DNP, will develop and provide to A. I. D. specific plans of action by which the stated strategy of strengthening the capabilities of the Planning Office of the Ministry of Health is to be implemented. Specific consideration will be given to expanding the capacities of the Planning Office and the Division of Medical Attention in order to assure their capability to evaluate progress in implementing the regionalized, integrated system throughout the country, to identify bottlenecks and to plan and supervise mechanisms for accelerating the regionalization process.

(iii) Not later than April 30, 1973, the DNP and the MINHEALTH will complete and provide to A. I. D. a basic design and implementation plan for a quantitative analysis of the Colombian health sector. The analysis will seek to improve the basis for refinement or modification of health strategy by providing quantitative

estimates or projections of the cost-effectiveness of existing and alternative strategies, programs and activities.

(iv) Not later than May 31, 1973, the MINHEALTH and the DNP will develop a series of no less than ten major indicators of general health and progress in instituting the regionalized health services delivery system. The Ministry will, through the DNP, and pursuant to Section 4.11, provide A. I. D. with periodic reports relating to the achievement of sector goals; the reports shall incorporate the progress indicators.

(v) No later than June 30, 1973, the MINHEALTH will complete and provide, through the DNP, to A. I. D., the following studies and plans:

1. A study of the methods, quantity, and quality of supervision actually being carried out at the several levels of the regionalized system. The study will include recommendations for improving the quality of supervision and plans for incorporating recommended changes in training of supervisors and in administrative procedures of health institutions.

2. An "Experimental Study of Health Services", reviewing delegation of functions in three areas of Colombia. In the event that the training manuals prepared for this study are

proven effective, the MINHEALTH will undertake reproduction of the manuals and their distribution to all relevant agencies.

3. A plan detailing standardized procedures for the referral of patients within the regionalization scheme. The procedures developed under the plan shall have been promulgated throughout the national public health system.

4. A survey and study of several of the initiatives in the country which have stimulated greater levels of community participation in the organization and management of local level health services or the dissemination of health education. Specific attention will be given to the methodology and relative success of the INPES basic Rural Sanitation Program, the activities of "Movimiento de Reconstrucción Rural" and of CARITAS, and other private agencies in the field. The study will include an evaluation of the potential for including more of this emphasis in the general MINHEALTH program, and a time-scheduled plan for implementing those actions considered feasible.

(vi) No later than December 31, 1973, the Ministry will have completed a study of the systems of providing supplies to various

health sector activities. This study will include attention to health institution equipment and supply requirements, the role of CORPAL ^{1/} in satisfying those needs, and user satisfaction with the existing system. The study preferably will be undertaken by a consultant or consulting firm. It will include analysis of the organization of CORPAL, its administrative procedures, its financial operations and recommendations for improvement. The MINHEALTH submission of the study to A. I. D. through DNP will include a plan of action based on the recommendations of the study.

IV. Malaria Eradication Service (SEM)

A. Financial Target

To make available for expenditure by SEM, in 1973 and 1974, the following amounts, to be financed as follows:

	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower	152.9	166.0
A. I. D.	<u>30.0</u>	<u>31.0</u>
Total	182.9	197.0

^{1/} CORPAL is a semi-autonomous agency, attached to the MINHEALTH, which serves as a centralized hospital supply agency.

- 55 -

B. Activity Targets

This program calls for the expenditure of commingled funds in approximately the amounts shown:

	<u>1973</u>	<u>1974</u>
a) Malaria, yaws, yellow fever	97.9	112.0
b) Immunizations	40.0	60.0
c) Polio/Measles	30.0	--
d) V.D. control	<u>15.0</u>	<u>25.0</u>
Total	182.9	197.0

C. Malaria, Yaws, and Yellow Fever

(i) The funds allocated for this activity are to be used to continue and expand campaigns of control and eradication of these diseases in inhabited lowland areas of Colombia. Approximately 10 million persons will be served by the program of continued vigilance of previously endemic malaria areas, and over 2 million will be directly served by control and eradication measures in currently endemic areas. Over 400,000 persons will directly benefit from control and eradication measures in endemic yaws areas, and over 450,000 households will benefit from aegypti control operations.

(ii) In the malaria control areas, approximately 600,000 hematological samples will be taken annually; approximately an additional 260,000 samples will be taken annually in eradication areas. Malaria control personnel will make 1.4 million visits to 300,000 houses annually in surveillance of possible disease vector sources. Five million doses of anti-malaria drugs will be distributed annually. Approximately 550,000 houses annually will be sprayed with insecticides. In the yaws campaign, approximately 7,000 persons annually will receive medication. In the anti-aegypti campaign, approximately 450,000 houses will be sprayed three times annually.

(iii) Not later than June 30, 1973, SEM will complete and provide through MINHEALTH and DNP to A. I. D. a study of the feasibility of increasing the use of SEM personnel, especially in rural areas, to provide health education and basic health care services consistent with the current requirements of their positions.

D. Immunization

Funds allocated for this activity are to be used to raise the level of immunization against diphtheria, whooping cough, tetanus, typhus, tuberculosis and smallpox to 80% of the population. Immunization will be provided to approximately 85,000 infants and 700,000 children 1 to 15 years old each year.

- 57

E. Measles/Polio

Funds allocated for this activity are to be used to accomplish a massive vaccination campaign against measles and polio. 80% of the children between 1 and 4 years of age, approximately 3,000,000 children, are to receive vaccinations during 1973. Beginning in 1974, polio and measles immunization will be continued as part of the immunization project described in paragraph D. above.

F. V.D. Control

Funds allocated to this activity are to be used to expand public health efforts directed at controlling venereal diseases. Diagnostic equipment is to be provided to hospitals and maternal/child care centers in order to expand blood testing facilities. In addition, drugs will be provided to units of the public health system to facilitate cure of identified V.D. cases.

V. INPES

A. Financial Target

To make available for expenditure by INPES in 1973 and 1974 the following amounts, to be financed as follows:



(Millions of Current Pesos)

	<u>1973</u>	<u>1974</u>
Borrower	196.5	236.5
Borrower (other resources)*	42.0	46.0
A. I. D.	<u>87.0</u>	<u>103.0</u>
Total	325.5	385.5

B. Activity Targets

The program calls for the expenditure of commingled funds in approximately the amounts shown:

	<u>1973</u>	<u>1974</u>
1. Research	31.0	48.5
2. Rural Sanitation	240.0	275.0
3. Other	<u>54.5</u>	<u>62.0</u>
Total	325.5	385.5

*Composed of:

	<u>1973</u>	<u>1974</u>
1. Fees for services rendered by the analysis laboratory	1.6	2.0
2. Fees for administrative services	1.7	2.0
3. Commercial operations	.3	.4
4. Reimbursement payments	4.0	4.6
5. Community contributions and other sources	<u>34.4</u>	<u>37.0</u>
Total	42.0	46.0

C. Research

Funds allocated for this activity are to be used to support basic investigations by the INPES laboratory, "Samper Martínez," in the areas of genetics, cell biology, microbiology, bio-chemistry, epidemiology and pharmacology.

Funds are also to be used to support activities to be carried on by the INPES Division of Special Investigations, including studies on: odontological resources, medical institutions and human resources, and sanitation in rural communities. In addition, INPES in coordination with DNP, will examine the financing of the health sector, including an analysis of the effects which patient fees have on use of health services and community attitudes toward those fees.

D. Rural Sanitation

(i) Funds allocated for this activity are to be used to expand substantially INPES' program of financing and improving the construction and administration of water and sewerage projects in rural communities. In 1973, approximately 160 water and 80 sewerage projects serving 350,000 persons will be completed. In 1974 approximately 290 water and 150 sewerage projects will be completed. By 1974,

60

it is expected that approximately 35% of the rural population will be benefitted by water and sewerage projects.

(ii) Not later than June 30, 1973, INPES will review and provide through MINHEALTH and DNP to A. I. D. planning criteria and project supervision manuals concerning the disposal of sewage wastes in the sewerage systems which it finances. In addition, not later than June 30, 1973, INPES will complete and provide through MINHEALTH and DNP to A. I. D. a study of the possibility of making better use of the INPES basic Rural Sanitation Division personnel in rural areas, as health educators, consistent with their preparation and functions.

VI. F. N. H.

A. Financial Target

To make available for expenditure by FNH in 1973 and 1974 the following amounts, to be financed as follows:

	(Millions of Current Pesos)	
	<u>1973</u>	<u>1974</u>
Borrower *	113.3	178.2
Borrower (constant value bonds)	84.7	95.0
External Credit	220.0	110.0
A. I. D.	<u>32.2</u>	<u>55.5</u>
Total	450.2	438.7

* Funds contributed by national, departmental, and local entities for construction of health posts and health centers will be included.

. 66'

B. Activity Targets

The program calls for the expenditure of commingled funds in approximately the amounts shown:

	<u>1973</u>	<u>1974</u>
1. Construction*	225.7	314.0
2. Equipment <u>1/</u>	220.0	110.0
3. Other	<u>4.5</u>	<u>14.8</u>
Total	450.2	438.8

C. Construction

(i) Funds allocated for this activity are to be used to finance and supervise the construction of hospital, health post and health center facilities in furtherance of the National Hospital Plan. One-hundred and twelve hospital construction projects have been identified for priority attention in 1973 and 1974 in the DNP document "Algunos Aspectos del Sector Salud" dated September 1972. Twenty-two of these are hospitals requiring the construction of a totally new building; thirty are hospitals which have already been partially constructed and require

* Of which approximately 100.0 in 1973 will be for expansion and remodeling of hospitals and construction of health centers and posts; and 160.0 in 1974 will be for the same purpose.

1/ Equipment will be entirely financed by external credit.

62

completion; 61 are hospitals whose facilities require expansion or remodeling. A. I. D. will provide Loan financing for only those projects (approximately 61) which are for expansion or remodeling of present facilities. It is expected the commingled funds allocated to this group will be sufficient to complete the 61 projects. The Colombian authorities will reconsider the construction program to determine which of the other projects can be carried out without the use of A. I. D. - provided loan funds.

(ii) In addition to the hospital construction, approximately 200 health posts and 130 health centers will be constructed. Priority attention has been given to locating these facilities in "rural development concentrations" jointly identified by the Ministries of Education, Agriculture and FNH.

(iii) The conditions precedent to disbursement for use by the FNH are set forth in Section 3.03 hereof.

VII. ICBF

A. Financial Target

To make available for expenditure by ICBF during 1973 and 1974 the following amounts to be financed as follows:

(Millions of Current Pesos)

	<u>1973</u>	<u>1974</u>
Borrower	147.0	167.7
Borrower (Family Welfare Bonds)	156.0	189.0
Borrower (Other resources)*	130.0	143.0
A. I. D.	<u>12.9</u>	<u>6.3</u>
Total	445.9	506.0

B. Activity Targets

The program calls for the expenditure of commingled funds ...
approximately the amounts shown:

	<u>1973</u>	<u>1974</u>
1. Treatment of minors	189.0	196.0
2. Family welfare/nutrition	171.9	221.0
3. Other	<u>85.0</u>	<u>89.0</u>
Total	445.9	506.0

C. Treatment of Minors

Funds allocated for this activity are to be used to operate and improve the ICBF facilities for care of abandoned minor children,

* Composed of:	<u>1973</u>	<u>1974</u>
Proceeds from salt tax	30.0	30.0
Reserves	28.0	35.0
Transfers from MINED for school lunch	22.0	23.0
Income from fines, sales of goods and services, etc.	<u>50.0</u>	<u>55.0</u>
Total	130.0	143.0

64.

to provide legal assistance to Colombian families and to supervise the placement of orphaned children outside of institutions. 430,000 children annually will benefit from these programs.

D. Family Welfare/Nutrition

(i) Funds allocated for this activity are to be used to expand and operate ICBF day care and "integrated family assistance" centers and to carry out nutrition education and supplementary feeding programs. The Direction of Nutrition through the PRONENCA * program will utilize food from the World Food Program and coordinate and support activities of the voluntary agencies (CARE and CRS) in a supplementary feeding program for approximately 2.5 million maternal/child and primary school recipients annually. Through the day care and family assistance centers, public health and school facilities, nutrition education will be provided to 1.4 million persons during 1973 and 1.6 million persons during 1974. ICBF will also sponsor nutrition research and the training of personnel for nutrition education.

(ii) The Borrower is currently undertaking a study which will serve as the basis for a detailed policy and strategy for improving the

* Programa Nacional de Educación y Complementación Alimentaria.

- 5 -

nutrition of the Colombian population. Not later than April 30, 1973, the DNP and the MINHEALTH will provide to A. I. D. the results of the study and a statement of the basic policies and strategies proposed. It is expected that the proposed strategy will provide for closer coordination between the ICBF nutrition program and the Maternal and Child Care Program of the Ministry of Health.

VIII. Dollar Funds

The Loan will make available up to US\$1,000,000 to be utilized for the purchase of vehicles, which will be used to effectuate the referral system and supervision required by the regionalization scheme. Not later than June 30, 1973, the DNP, together with the Ministry of Health, will develop and provide to A. I. D., for its approval a schedule of the procurement to be undertaken and a listing of the expected distribution of the equipment consistent with the needs of the Ministry, and the specific vehicle requirements for implementing the regionalized health delivery system.

A. I. D. will furnish to the Ministry of Health an Implementation letter describing the procedures to be followed in connection with the use of dollar funds.