

CONFORMED COPY

CREDIT NUMBER 3313-SOL

Development Credit Agreement

(Health Sector Development Project)

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 27, 2000

CREDIT NUMBER 3313-SOL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 27, 2000, between SOLOMON ISLANDS (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2,

1997) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Fiscal Year" and "FY" mean the Borrower's fiscal year commencing January 1 and ending December 31;

(b) "MHMS" means the Borrower's Ministry of Health and Medical Services, and any successor thereto;

(c) "National Referral Hospital" means the Borrower's hospital in Honiara;

(d) "Participating Province" mean a province selected by the Borrower, in agreement with the Association, to participate in the Project;

(e) "PCC" means the Project Coordination Committee;

(f) "PCIU" means the Project Coordination and Implementation Unit; and

(g) "Special Account" means the account referred to in Section 2.02(b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to three million Special Drawing Rights (SDR 3,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected

pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 2010 and ending January 1, 2040. Each installment to and including the installment payable on January 1, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semi-annual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MHMS with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial and health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall take all steps required to include in its budget for each Fiscal Year, commencing Fiscal Year 2000 and until completion of the Project, the funds required for the Project for such Fiscal Year.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower

shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual

audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 2000, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and

(B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and

(B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Borrower has allocated in MHMS's budget for FY2000, the required Project counter-part funds for such year.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Department of Finance

P. O. Box 26
Honiara, Solomon Islands

Telex:

(778) Bokolo HQP66320

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

SOLOMON ISLANDS

By /s/ Rex S. Horoi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Klaus Rohland

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	600,000	80%
(2) Goods	700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 95% of local expenditures for other items procured locally
(3) Consultants'	490,000	100%

	services		
(4)	Training, studies and workshops	790,000	100%
(5)	Incremental operating costs	270,000	100%
(6)	Unallocated	150,000	
	TOTAL	3,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means expenditures for travel and subsistence allowances for MHMS and Project staff and Project participants for Project management, project implementation and supervision activities; and office consumables, supplies, and communication expenditures for the PCIU;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 150,000, may be made in respect of Categories (1), (2) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after October 31, 1999.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) contracts for civil works costing less than \$100,000 equivalent each; (ii) contracts for goods costing less than \$100,000 equivalent each; (iii) incremental operating costs; (iv) training, studies, and workshops; and (v) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to improve high priority health conditions through capacity building and the development of new approaches to improve program management and increase community awareness and participation.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Improved Reproductive Health

1. Upgrading of service delivery in Participating Provinces through: (i) the introduction of international guidelines and standards for assessment and monitoring, improved supervision of health workers, and improved outreach by health workers; (ii) the construction and upgrading of selected health centers, construction of staff housing for community health staff, and provision of vehicles, medical equipment, communications equipment, and selected medical supplies and drugs; (iii) the carrying out of pilot activities to involve community members and relevant agencies in the improvement of maternal care and family planning awareness and utilization; and (iv) the establishment and support of an intersectoral task force for reproductive health.

2. Strengthening of midwifery, obstetrics, and family planning and management

skills through: (i) the provision, on a pilot basis, of enhanced midwifery training at the National Referral Hospital and affiliated clinical facilities, including construction of training facilities at the National Referral Hospital; (ii) the provision of overseas training for medical and nursing staff; (iii) the improvement of in-service programs in reproductive health, program management and program supervision for nurses and other health workers; and (iv) technical assistance.

Part B: Improved Malaria Prevention and Control

1. Upgrading of malaria control activities through: (i) improved provision of bed nets and focal spraying to reduce mosquito populations; (ii) training and supervision of health workers to improve detection and management of malaria cases; (iii) activities to improve health promotion and community participation in malaria prevention and control; (iv) construction, in remote locations, of housing for malaria program staff, and storage facilities for malaria program equipment and supplies, and provision of vehicles; and (v) establishment and support of an intersectoral task force for malaria prevention and control.

2. Strengthening the monitoring and evaluation activities of the malaria control program, including carrying out of analysis of individual, household and community aspects of malaria prevention and control.

3. Provision of professional training for staff of the Borrower's National Malaria Control Program and carrying out of studies to test the enhancements to such program.

4. Dissemination of policy conclusions on enhancements to Borrower's National Malaria Control Program through, among others, workshops, a national malaria conference, and publications.

Part C: Capacity Building

1. Strengthening the planning capacity of MHMS and Participating Provinces through: (i) the development and implementation of a health management information system, including provision of hardware and software; (ii) the strengthening of monitoring and evaluation of routine and special programs and initiatives, including technical assistance; (iii) the strengthening of MHMS's National Health Planning Unit through provision of technical assistance; and (iv) the establishment of procedures for the coordination of support from donors and other development partners, including the carrying out of planning and review workshops, seminars and dissemination activities.

2. Construction of office space for MHMS's National Health Planning Unit in MHMS's main building in Honiara.

3. Strengthening the health promotion and education capacity of MHMS and Participating Provinces through: (i) capacity building based on a performance review and needs assessment, including technical assistance, training of key health staff and community members, and provision of training equipment; (ii) development and implementation of communication strategies targeting families and other stakeholders to support the activities to improve maternal care, family planning and malaria prevention and control; and (iii) carrying out of pilot activities to test ways to: (A) improve coordination among MHMS and provincial health staff and local governments, non-governmental organizations and community groups; and (B) increase community participation in the improvement of delivery and utilization of health programs.

* * * * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with: (a) the provisions of

Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999; and (b) the provisions of the following Parts of this Section I.

Part B: Procurement Procedures

1. National Competitive Bidding

Except as provided in paragraph 5 below, civil works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. Bidders for civil works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

2. International Shopping

Except as provided in paragraphs 3 and 4 below, goods shall be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Vehicles, medical equipment, medical supplies and drugs may be procured from United Nations' agencies, including the World Health Organization, in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully. Bidders for civil works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for works estimated to cost the equivalent of \$100,000 or more, and the first contract for works in each Participating Province, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the first two contracts for goods to be awarded on the basis of

international shopping procedures, and the first two contracts for goods to be awarded on the basis of national shopping procedures, the following procedures shall apply:

(i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, and (b) the provisions of the following Parts of this Section II.

Part B: Procedures for the Selection of Consultants

1. Quality-based Selection

Services for design and supervision of civil works under Parts A.1 (ii), A.2 (i), B.1 (iii) and C.2 of the Project, and for strategy development for health promotion under Part C.3 (ii) of the Project, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Individual Consultants

Except as provided in paragraph 1 above, services for technical assistance under Parts A.1, A.2, B, C.1 and C.3 of the Project and technical assistance for Project management shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, and each contract for the employment of design and supervision consultants for civil works, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall maintain until completion of the Project:

(a) a Project Coordination Committee in MHMS with membership and terms of reference acceptable to the Association, including a Project Director and representatives of the Department of Finance and the Department of Development Planning;

(b) a Project Coordination and Implementation Unit in the Planning Unit of MHMS, with competent staff in adequate numbers, including: (i) a Project Coordinator; (ii) a Project Implementation Officer; (iii) a Project Accountant; and (iv) a Provincial Project Officer; and

(c) qualified staff in the following positions in MHMS: (i) project officer in the Reproductive Health Unit; (ii) project officer in the National Malaria Control Program; (iii) chief statistician in the Planning Unit, and (iv) donor coordination officer in the Planning Unit.

2. The Borrower shall, until completion of the Project, provide each province, on a monthly basis, commencing January 2000, with the monthly allocations in the Borrower's budget for provincial health services, wages and malaria control activities.

3. In carrying out Parts A and B of the Project, the Borrower shall maintain the inter-sectoral task force for maternal care and family planning and the inter-sectoral task force for malaria prevention and control with terms of reference and membership acceptable to the Association, and shall ensure that such task forces hold meetings at least once a year, commencing March 1, 2000.

4. The Borrower shall select Participating Provinces in agreement with the Association and in accordance with criteria agreed with the Association.

5. In carrying out the Project, the Borrower shall, by October 31 in each year, commencing October 31, 2000, and until completion of the Project, furnish to the Association for review and approval an annual work plan for the following Fiscal Year, and shall permit the Association to seek the views of bilateral and multilateral donors on such proposed annual work plan.

6. Without limitations to Section 9.06 of the General Conditions, the Borrower shall prepare semi-annual Project progress reports, under terms of reference acceptable to the Association, and furnish to the Association such reports by April 30 and October 31, in each year, commencing April 30, 2000, and until completion of the Project.

7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2002, a report integrating the

results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 30, 2002, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Performance Indicators

The following performance and monitoring indicators shall be used for the purposes of paragraph 7 (a) of Schedule 4 of this Agreement and shall be included in the semi-annual progress reports to be provided under paragraph 6 of Schedule 4 of this Agreement.

Part A. Improved Reproductive Health:

1. Supervised delivery rate.

Formula: Deliveries supervised by nurse or doctor, at home, clinic or hospital/expected number of births (from census).

Source: Hospital records in first year, then Hospital Management Information System (HMIS).

2. Proportion of pregnant mothers having at least one antenatal visit.

Formula: First antenatal visits/expected births. Source: HMIS.

3. Proportion of women of reproductive age currently accepting an effective method of family planning.

Formula: Current acceptors/(estimated number women 15-49).

Source: HMIS; also surveys included in pilot programs.

Part B. Improved Malaria Control and Prevention

4. Incidence of clinically defined malaria (outpatients).

Source: HMIS (with training and guidelines in Year 1 to improve data quality).

5. Hospital/clinic admissions for malaria.

6. Incidence of slide diagnosed malaria (all types).

Source: Solomon Islands Malaria Information System (SIMIS).

7. Incidence of slide diagnosed Plasmodium falciparum.

Source: SIMIS.

8. Use of adequately impregnated bed nets.

Source: SIMIS on new and retreated nets; (confirm use by survey.).

9. Proportion of houses sprayed in the last year. Source: SIMIS.

Part C. Capacity Building

10. Health service productivity and utilization: daily case load per health worker.

Formula: Number of cases seen/number of professional health staff.

Source: HMIS and inventory of facilities.

11. Availability of good quality provincial health program reports to stakeholders.

Formula: Annual summary of health service indicators derived from routine information systems (with reporting rates exceeding 80%) and circulated to national and provincial managers, elected representatives and community groups.

Policy

12. Meetings of task forces (at least once each year; reports received).

13. Health budget, summary data, (see Development Credit Agreement, paragraph 2 of Schedule 4).

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have

requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

