

CONFORMED COPY

CREDIT NUMBER 2553 COM

Development Credit Agreement

(Population and Human Resources Project)

between

FEDERAL ISLAMIC REPUBLIC OF COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 18, 1994

CREDIT NUMBER 2553 COM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 18, 1994, between FEDERAL ISLAMIC REPUBLIC OF COMOROS (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received from the Borrower a letter, dated November 9, 1993, describing a program of actions, objectives and policies designed to achieve an adjustment of the Borrower's health sector (hereinafter referred to as "the Program");

(B) the Borrower has declared its commitment to the execution of the Program and, 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;

(C) the Borrower has established a Project Office within its Ministere de la Sante Publique et de la Population (MSPP) to coordinate the various activities included under Part A of the Project;

(D) the Borrower has designated the Fonds d'Appui au Developpement Communautaire (FADC), an entity established and existing under the laws of the Borrower, to implement Part B 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, with the last sentence of Section 3.02 deleted (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "AIDS" means acquired immune deficiency syndrome;
- (b) "Financing Agreement" means the financing agreement under Section 3.04 (a) of this Agreement;
- (c) "Procedures Manual" means the Procedures Manual referred to in Section 3.04 (a) (ii) of this Agreement;
- (d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a first letter of agreement between the Borrower and the Association, dated April 16, 1993, as supplemented by a second letter of agreement between the Borrower and the Association, dated November 16, 1993;
- (e) "Special Account" means either or both of the accounts referred to in Section 2.02 (b) of this Agreement; and
- (f) "sub-project" means a sub-project under Section 3.04 (a) 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 the Development Credit Agreement, an amount in various currencies equivalent to nine million two hundred thousand Special Drawing Rights (SDR9,200,000).

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 and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall open and maintain in French Francs one special deposit account (hereinafter referred to as Special Account A) for the purposes of Part A of the Project, and another special deposit account (hereinafter referred to as Special Account B) for the purposes of Part B of the Project. These Special accounts shall be held and maintained in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, a Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1999 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15, commencing March 15, 2004 and ending September 15, 2033. Each installment to and including the installment payable on September 15, 2013 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. For the purposes of Part B of the Project, FADC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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:

(i) shall carry out Part A of the Project through MSPP with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and

(ii) shall cause FADC to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable FADC to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by FADC.

(b) 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 Part A of the Project and shall cause FADC to carry out Part B of the Project, all 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. The Association and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project shall be carried out by FADC.

Section 3.04. (a) For purposes of Part B of the Project, the Borrower shall conclude a financing agreement with FADC (hereinafter referred to as the Financing Agreement), whereby it shall agree with FADC to transfer an amount not exceeding the amount of the Credit allocated to Part B of the Project to FADC on a non-reimbursable basis and on such other terms and conditions as shall be acceptable to the Association; including, but without being limited to, provisions to the following effect:

(i) the amount so transferred to FADC shall be used exclusively to finance sub-projects and the operating costs of FADC;

(ii) no sub-project shall be considered for approval under the Project except in accordance with criteria, and terms and conditions, set forth in a Procedures Manual adopted by FADC and approved by the Association;

(iii) goods and services required under the Financing Agreement, or pursuant thereto, shall be procured in accordance with

procedures acceptable to the  
Procedures Manual;

Association, and set forth in the

- (iv) every sub-project involving a total investment cost in excess of the equivalent of 350,000 French Francs shall be submitted to the Association for prior review;
- (v) except with the prior approval of the Association, no sub-project shall involve a total investment cost in excess of the equivalent of 450,000 French Francs;
- (vi) in respect of every sub-project to be financed under the Financing Agreement, or pursuant thereto, the contribution of the beneficiary thereof to the cost of the sub-project shall be (A) not less than 20 percent, or (B) in exceptional cases, in relation to very poor and needy beneficiaries (as defined in the Procedures Manual), not less than 15 percent; and
- (vii) FADC undertakes to carry out all other Project-related obligations of the Borrower and FADC under this Agreement, or arising thereunder, in respect of Part B of the Project.

(b) The Borrower shall exercise its rights under the Financing Agreement and the Procedures Manual, in such manner as to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit; and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Financing Agreement or the Procedures Manual, or any provision thereof.

Section 3.05. The Borrower shall make adequate allocations in its annual budget to meet the global needs of the health sector, including maintenance of the fiscal year 1992 level of expenditure on health (in 1992 prices), of which not less than 20 percent shall be allocated to non-wage expenditures.

Section 3.06. The Borrower shall, not later than December 31, 1994, issue a public expenditure program covering fiscal years 1995-1997, for review by the Borrower and the Association at every subsequent annual review and the mid-term review referred to in paragraph 1 (a) of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures, in respect of Part A of the Project, of the departments or agencies of the Borrower responsible for carrying out Part A of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for Special Account A for each fiscal year audited, in accordance with appropriate auditing principles 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 copy of the 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 said records, accounts and the audit thereof as the Association shall 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:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph Section, records and 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 or payment out of Special Account A 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 report of such audit referred to in paragraph (b) of this Section and that the report 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) The Borrower shall cause FADC to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of FADC.

(b) The Borrower shall cause FADC to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), and the records and accounts for Special Account B, audited on a semiannual basis, in accordance with appropriate auditing principles 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 three months after the end of each semiannual period: (A) certified copies of its financial statements for such audit period as so audited, and (B) the 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, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

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

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the audit period in which the last withdrawal from the Credit Account or payment out of Special Account B 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 each 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.

#### ARTICLE V

##### Other Covenants

Section 5.01. The Borrower shall cause FADC:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, technical and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

#### ARTICLE VI

##### Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) FADC shall have failed to perform any of its obligations under the Financing Agreement;

(c) as a result of events which have occurred after the date of the Development Credit Agreement, a situation shall have arisen which shall make it improbable that FADC will be able to perform its obligations under the Financing Agreement;

(d) the Presidential Ordinance establishing FADC (Ordonnance No. 93-001/PR of January 6, 1993) or the Presidential Decree defining its functions (Decree No. 93-068/PR of April 13, 1993) shall have been amended, suspended, abrogated, repealed or waived, as the case may be, so as to affect materially and adversely the ability of FADC to perform any of its obligations under the Financing Agreement;

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FADC, or for the suspension of its operations or a significant part thereof.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraph (a), (c), (d) or (e) of Section 6.01 of this Agreement shall occur.

#### ARTICLE VII

##### Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Financing Agreement between the Borrower and FADC has been duly executed;
- (b) the Procedures Manual has been adopted by FADC and made operational;
- (c) the auditors referred to in Sections 4.01 and 4.02 of this Agreement have been recruited;
- (d) a contract, which shall be acceptable to the Association, for the installation of a management information system for FADC has been signed;
- (e) the Borrower has recruited the private firms or non-governmental organizations required under the Project for the procurement of goods, for the preparation of architectural designs and bidding documents, for the supervision of civil works, and for the preparation and supervision of training programs, during the twelve-month period immediately following the Effective Date; and
- (f) the Borrower has opened, on behalf of FADC, a bank account in local currency, to be operated and maintained by FADC, in each of the three sub-regions covered under Part B of the Project, and has made an initial deposit of \$5,000 equivalent into each such account.

Section 7.02. The following is specified as additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Financing Agreement has been duly authorized or ratified by the Borrower and FADC, and is legally binding upon the Borrower and FADC in accordance with its terms.

Section 7.03. 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 VIII

##### Representatives of the Borrower; Addresses

Section 8.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere des Finances et du Budget  
B.P. 324  
Moroni  
Comoros

Telex:

245-MIEF-CAB KO

For the Association:

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

Cable address:

Telex:



INDEVAS  
Washington, D.C.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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.

FEDERAL ISLAMIC REPUBLIC OF COMOROS

By /s/ Amine Ali Moumin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox

Regional Vice President  
Africa

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) Equipment, vehicles, furniture and supplies	1,200,000	100%
(2) Civil works	1,130,000	100%
(3) Consultants' services	280,000	100%
(4) Training	780,000	100%
(5) Operating costs		100%
(a) under Part A of the Project	280,000	
(b) under Part B of the Project	780,000	
(6) Sub-projects	3,470,000	100%

(7) Refunding of Project Preparation Advance	560,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	720,000	
	<hr/>	
TOTAL	9,200,000 =====	

2. For the purposes of this Schedule, the term "operating costs" means the incremental costs incurred under the Project on account of (a) local contractual staff salaries, and travel and other allowances, (b) maintenance of vehicles, fuel and equipment, and (c) office rent, supplies and utilities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments:

(a) for expenditures prior to the date of this Agreement; or

(b) under Category (2) of the table in paragraph 1 of this Schedule, unless: (i) the unqualified technical health personnel of MSPP, as determined as of June 1, 1993, has been reduced in number by not less than one hundred; and (ii) the health care facilities to be rehabilitated under Part A.4 of the Project have been (A) vested with financial and managerial autonomy in accordance with the requirements of the program, and (B) duly reorganized, and the staff thereof redeployed, as needed, to meet the requirements of the revised organizational structure applicable to such facilities.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services, and under sub-projects, not exceeding \$10,000 equivalent, and under training programs and operating costs, 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 strengthen regional and community involvement in population and human resource development, by improving the delivery of basic level health services and stimulating complementary community development activities.

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: Improving Health Services

1. Strengthen and develop program planning, implementation and monitoring capabilities at the regional level, and stimulate community participation in health and population activities.

2. Conduct a series of training activities to increase the productivity of regional health workers.

3. Strengthen the capacity of MSPP to provide adequate technical and operational support to regional staff in the implementation of health activities.

4. Partial rehabilitation of a number of health care facilities, including provision of waste disposal and sanitary water supply, equipment, technical assistance and training, to enable them to carry out effectively their normative functions.

5. Based on the findings of three separate studies on family planning and AIDS control, design multi-media, well-targeted Information, Education and Communication (IEC) strategies and formulate other population and AIDS activities.

6. Equip about 20 laboratories to improve their diagnostic capabilities, for purposes of fertility and AIDS control services, and train and supervise service providers and technicians.

7. Supplement supplies of commodities so as to ensure regular supply required to carry out fertility and AIDS control activities, and monitor the impact of such activities.

Part B: Establishment of FADC

Establish the FADC and, thereby, encourage community participation in sustainable economic development, support and develop the capacity of communities and NGOs, and complement sectoral development strategies, in the following areas:

- \* rehabilitation of basic infrastructure, including rural roads and bridges, primary schools, water supply and health care facilities,
- \* income generating activities,
- \* activities which promote the well-being and development of women, and
- \* training of communities and groups in appropriate technologies, and in resource and project development and management.

\* \* \*

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. (a) Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(b) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when the contract is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(c) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$25,000 or more.

3. Goods procured in accordance with the procedures described in paragraph 1 (a) above shall be exempted from pre-shipment price inspection by third parties.

Part B: Other Procurement Procedures

1. Civil works under Part A of the Project, up to an aggregate amount equivalent to \$1,900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Contracts for goods and works required for purposes of sub-projects under Part B of the Project may be awarded:

(a) in the case of contracts estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$4,000,000, on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Association and specified in the Procedures Manual; and

(b) in the case of contracts estimated to cost the equivalent of \$20,000 or less per contract:

(i) up to an aggregate amount equivalent to \$500,000, on the basis of comparison of price quotations obtained from at least three bidders eligible under the Guidelines, in accordance with procedures acceptable to the Association and specified in the Procedures Manual; and

(ii) up to an aggregate amount equivalent to \$1,500,000, on the basis of comparison of price quotations obtained following local advertisement on the radio, and through notices posted in the locality or in the offices of FADC, in accordance with procedures acceptable to the Association and specified in the Procedures Manual; provided, however, that the results of each such comparison of price quotations shall be made public.

3. Items or groups of items estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$1,400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$50,000 or more, and goods estimated to cost the equivalent of \$25,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$10,000 equivalent each. However, this exception to prior Association review or approval requirements shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source hiring of firms, to assignments of a critical nature as reasonably determined by the Association, and to amendments of contracts raising the contract value to \$10,000 equivalent or above.

### SCHEDULE 4

#### Implementation Program

1. (a) The Borrower and the Association shall, not later than October 31, 1994 and, thereafter, not later than October 31 of each subsequent year, undertake a joint annual review of the Project (or, as the case may be, not later than October 31, 1996, a mid-term review), during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its obligations under this Agreement and, in particular:

(i) the progress achieved by MSPP and FADC, respectively, during the current fiscal year, having regard to the performance indicators agreed upon between the Borrower and the Association;

(ii) the status of financial and procurement performance under the Project;

(iii) the proposed budget and work program for the forthcoming fiscal year;

(iv) the level of budgetary allocations for the health sector in the current fiscal year, and proposed allocations for the forthcoming fiscal year; and

(v) in the case of the mid-term review, a review of the sustainability of FADC as an institution.

(b) Not later than one month prior to each such review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the various matters to be discussed at the said review.

(c) Following each such review, the Borrower undertakes to act promptly and diligently, in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

(d) Without limitation to the preceding paragraphs (a), (b) and (c) of this Section, the Borrower shall, throughout the period of implementation of the Project, submit to the Association, for its review and comments, quarterly reports prepared by the Project Office and FADC on the progress of Parts A and B, respectively, of the Project.

2. (a) The Project Office and FADC shall at all times have available the requisite number of competent higher level and support staff, including, (i) in the case of the Project Office, a project director, an accountant and a procurement specialist, and (ii) in the case of FADC, a national executive director and three regional executive deputy directors.

(b) The Borrower shall ensure that all higher level positions referred to in sub-paragraph (a) of this paragraph shall be kept filled at all times by appropriate personnel, whose qualifications, experience and terms of reference shall have been communicated to the Association and found to be acceptable.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means:

(i) in the case of Special Account A, Categories (1), (2), (3), (4), and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(ii) in the case of Special Account B, Categories (5) (b) and (6) 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, in relation to each Special Account, 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.

2. Payments out of a 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 a 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 a deposit or deposits 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 a 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 a 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment 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 a 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 a 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 a 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.

